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DEMOCRACY
VERSUS
SOCIALISM

A CRITICAL EXAMINATION OF SOCIALISM
AS A REMEDY FOR SOCIAL INJUSTICE
AND AN EXPOSITION OF THE
SINGLE TAX DOCTRINE

BY

MAX HIRSCH (MELBOURNE)

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DEMOCRACY VERSUS SOCIALISM

TO THE MEMORY OF

HENRY GEORGE,

PROPHET AND MARTYR OF A NEW AND HIGHER FAITH,

THIS WORK IS

GRATEFULLY DEDICATED

PREFACE

A MOVEMENT which draws its vitality, as Socialism does, from the poverty and haunting sense of injustice of its rank and file, and from the moral elevation and unselfish pity of the leaders, cannot be successfully met even by the most triumphant demonstration of the impracticability of the remedies which it proposes.

Revolting against the injustice of existing social arrangements and the evils thence resulting, preferring the risk of failure to ignoble acquiescence, the advocates of Socialism are, not unnaturally, deaf to merely negative criticism.

It has seemed to me that this is the main reason why the many and able expositions of the impracticability of the industrial proposals of Socialism have failed to exercise any marked retarding influence upon its progress. Necessary and beneficial as such expositions are, they do not touch the heart of the matter. Failing to probe the socialist creed to its bottom, they do not show that it is based on an insufficient and faulty analysis of the causes of social injustice. Disregarding the legitimacy of the social revolt which has taken the form of Socialism, they fail to suggest any alternative method for the removal of the evils which have provoked it.

It has seemed to me that greater success might be achieved by acting upon these considerations. Moreover, there does not, as far as I know, exist any work dealing with Socialism as a whole.

Able examinations of its industrial proposals abound; refutations of some or another of its economic and ethical conceptions can be found here and there in works the main purpose of which lies in other directions. But I have not been able to find any work dealing with these conceptions and proposals as a whole.

I have therefore endeavoured to fill this void. The first part of this book is devoted to an analysis of the teaching embodied in Socialism, exhibiting its leading principles and conceptions and the changes in social arrangements which must directly result from their application. The second and third part expose the erroneous nature of the economic and ethical conceptions of Socialism, and exhibit what I regard to be the true principles of social economy and ethics.

The fourth part exhibits the conflict between the industrial and distributive proposals of Socialism and the principles thus established as well as the disastrous consequences which must arise from the acceptance of the former.

In the fifth and concluding part I have endeavoured to depict and vindicate the social reforms necessary to bring our social system into harmony with these economic and ethical principles, as well as their sufficiency for the achievement of the ultimate object of Socialism and Individualism alike, the establishment of social justice.

In carrying out these objects I have drawn freely on the great modern exponents of political economy and ethics, especially on the writings of Henry George, Böhm-Bawerk, and Herbert Spencer. While gratefully acknowledging my indebtedness to them, I may nevertheless claim to have contributed some original matter to the treatment of the subject—matter which, I trust, may stand the test of criticism even where it embodies conclusions which differ from those arrived at by these authorities.

To many friends my thanks are due for valuable assistance graciously rendered in preparing this work for the press; to none more, however, than to Mr. R. J. Jeffray, of London, who, in order to hasten its appearance, has undertaken the laborious task of revising the proofs.

MELBOURNE, *March* 1901.

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INTRODUCTION

THE greatest optimist cannot regard with satisfaction the social conditions of the period through which we are passing. At no time could wealth be produced with so little effort; at no time was wealth so abundant; yet mankind has benefited but inadequately by this unequalled increase in the material means of happiness.

The statistics of lunacy and suicide confirm the general conviction that the effort required to gain a livelihood is constantly becoming greater and the strain on the nervous energy of all workers more exhausting. Though a few amass fortunes as huge as they are useless for the enjoyment of anything but irresponsible power, the great mass of the people, the bulk of the wealth-producers, are only a little better off than at the period of their greatest degradation; while below them there is accumulating a mass of hopeless human wreckage which makes our great cities comparable to putrefying refuse heaps.[1] Last, not least with this very advance in the facility of making wealth, the opportunity to do so has become more restricted and more uncertain for the working population. Apart from the ever-increasing mass of those who cannot find any employment, a much larger number are exposed to the evil of occasional unemployment; and recurring

[1] "No one can contemplate the condition of the masses of the people without desiring something like a revolution for the better."—Giffen, *Essays in Finance*, 2nd series, p. 393.

"It may well be the case, and there is every reason to fear it is the case, that there is collected a population in our great towns which equals in amount the whole of those who lived in England and Wales six centuries ago, but whose condition is more destitute, whose homes are more squalid, whose means are more uncertain, whose prospects are more hopeless than those of the poorest serfs of the Middle Ages and the meanest drudges of the mediæval cities."—Rogers, *Six Centuries of Work and Wages*.

industrial crises, general and partial, hold up for ever before his eyes that worst terror of the decent, self-respecting worker—more or less continued unemployment.[1]

Moreover, wealth is gradually concentrating in fewer and fewer hands, a process which, if unchecked, must ultimately lead to the division of the population into two warring classes with no interest in common, a ruling plutocracy holding irresponsible power, and using it ruthlessly to oppress the people, confronted by a mass of hopeless proletarians for ever striving to shake off the yoke imposed upon them.[2] Long before this extreme is reached, however, social revolution, with all its horrors, will have put a temporary check upon this tendency.

The problem which, with ever-increasing urgency, demands a solution at the hands of our society, if peace and progress are to be preserved, is that of the persistence of undeserved poverty in the midst of abundant wealth; of unemployment in the midst of unsatisfied desires.

[1] "In a normal state of industry in machine-using countries there exists more machinery and more labour than can find employment, and only for a brief time in each decennial period can the whole productive power of modern machinery be fully used."—Hobson, *The Evolution of Modern Capitalism*, p. 197.

[2] In *The Arena* of December 1896, page 86, Eltweed Pomeroy publishes a table showing the distribution of wealth in Great Britain among males of twenty-five years and over, based upon the statistics of death and death-duties for the years 1890-94. In explanation he states:—"In my opinion it is an under-statement of the concentration of wealth in Great Britain; and yet the facts are startling. Over 56 per cent own nothing; and if we add the three first classes together, we have nearly 80 per cent owning less than 3 per cent, and then a little over 20 per cent owning 97 per cent; if we add the first four classes together, we have over 90 per cent of the people owning less than 8 per cent of the wealth of the country, and under 10 per cent owning 92 per cent; and if we take the last two classes, we find that less than one-fiftieth of the people own over two-thirds of the wealth; and then look at that last class of millionaires, numbering less than three one-hundredths of 1 per cent, and yet owning over 13 per cent of the wealth."

Dealing with the State of Massachusetts, he shows the distribution of wealth to have altered between the period 1829-31 and that of 1879-81 as follows, pp. 91, 92:—

"The class with nothing have increased from 62 to 69 per cent. The millionaires have increased from .002 per cent with 8¾ per cent of the wealth, to .08 per cent with 24 per cent of the wealth. The number of small property owners with less than a (1000) thousand (dollars) have decreased from under 20 per cent to 9 per cent, and their property has decreased from a little over 4 per cent to just above 1 per cent. The rich men worth between $100,000 and $500,000 have increased from .009 per cent to .50 per cent, and their wealth has increased from nearly 13 per cent to 26½ per cent. The moderately well off, worth from $1000 to $5000, have remained nearly the same in per centage of population, around 13 per cent, but their wealth has decreased from 21 per cent to 8¼ per cent."

George K. Holmes, of the United States census office, in the *Science Quarterly*, December 1893, states:—"Twenty per cent of the wealth of the United States is owned by three one-hundredths of 1 per cent of the population; 71 per cent is owned by 9 per cent of the families, and 29 per cent of the wealth is all that falls to 91 per cent of the population."

Why is it that millions of men cannot get enough bread to eat, when two or three men can produce sufficient wheat to maintain a thousand men for a year? Why is it that millions of human beings, in the most civilised countries, are shivering in insufficient clothing, though four of them can produce sufficient cotton or woollen cloth for one thousand of them? Why are so many without decent boots, when a year's labour by one man can produce nearly 4000 pairs of boots? Why is it that while a boot-maker wants bread, a tailor boots, and a baker clothes, all three, instead of supplying each other's wants, are compelled to want in enforced idleness?

These are questions which ought to present themselves to every thinking man, and which appeal with special urgency to the minds of the wage-earners. For the slight improvement in the condition of the majority of them, the higher wages and shorter hours of labour which organisation and legislation—especially legislation which abolished previous interference with equal freedom—have enabled them to exact, have given them leisure and strength to consider their social condition. State schools and cheap literature have given them access to the printed thoughts of their leaders. The concentration of industry in great cities has brought the additional stimulus of an easy interchange of thought. Political enfranchisement has endowed them with the hope that their aspirations of to-day may be the realised condition of the near future.

Socialism offers a plausible answer to these questions; appeals to the dissatisfied with an easily understood remedy for the social and industrial evils which offend his sense of justice. Its harmonious, if superficial, simplicity captivates the half-educated from whom it requires no mental exertion; its passionate appeals to the highest principles of ethics and the feeling of human brotherhood intoxicate the emotional, while its pretended claims to scientific completeness and evolutionary succession have drawn within its ranks many men of marked ability, who have despaired of any other method for the removal from our civilisation of the evils which they abhor.

It is therefore not astonishing that Socialism has made and is still making progress, though its progress may easily be over-rated.[1] For great numbers of men are habitually classed or class themselves as socialists who in reality know little or nothing of its nature or have no sympathy with its proposals. Whoever seeks to improve social conditions, even if the methods which he proposes are fundamentally different from those of Socialism, is nevertheless regarded as a socialist by unthinking or prejudiced defenders of the existing system. On the other hand, large numbers of men, profoundly conscious of the injustice of existing social arrangements, lightly adopt the name of socialist, though they are ignorant of the real aims of the party which they thus apparently join. While the numerical growth of Socialism is thus over-estimated, it nevertheless is sufficiently great to demand the most earnest attention and consideration.

What then is Socialism? The great majority of the middle-class population, who derive their information mainly from the daily newspaper, regard it either as a revolutionary attempt at an equal division of wealth, or as a foolish aspiration for the sudden establishment of a Utopia. No doubt the speeches and writings of the earlier socialists have given ample excuse for these mistakes, and even now there are many socialist speakers and not a few writers whose violent utterances and extravagant dreams lend themselves to easy misunderstanding and misrepresentation. Apart, however, from the consideration that such extravagances are inevitable in any movement which draws the mainspring of its activity from a manly revolt against direful injustice and from a noble compassion for the suffering which this injustice inflicts upon millions of human beings, it is manifestly unjust and mischievous to judge a great movement by its accessories instead of by its essentials,—unjust, because it amounts to misrepre-

[1] "Although Socialism involves State control, State control does not imply Socialism—at least in any modern meaning of the term. It is not so much to the thing which the State does as to the end for which it does it, that we must look before we can decide whether it is a socialist State or not. Socialism is the common holding of the means of production and exchange, and the holding of them for the equal benefit of all."—*Fabian Essays*, p. 212.

sentation; mischievous, because, while producing a false sense of security on one side, it exasperates the other.

It is therefore deeply to be regretted that socialists have just cause to complain that this treatment is only too often meted out to them.

Socialism has long since cast off its early revolutionary and Utopian swaddling-clothes, and has been transformed into a political system working in constitutional channels. Instead of depending upon a revolution for the realisation of its ideas, it looks to a gradual transformation of our society through the successive legalisation of small increments of its teaching. Instead of counting upon the sudden creation of a Utopia, it looks upon society as an evolutionary organism, which, through the gradual adoption of socialistic proposals, is bringing its structure into harmony with its environment. Modern Socialism is, therefore, a particular view of the organisation required to bring society into harmony with its industrial expansion, and is based on certain historical, economic, ethical, industrial, and political conceptions.

Nor must it be omitted to acknowledge here that, contrary to the crude opinion of "the man in the street," Socialism owes its development and progress to men of high ability, character, and attainments; that its exponents have rendered important services in the development of economic science, especially from the historical standpoint; and that it inculcates a spirit of altruism and brotherhood among men which gives a high moral and educational value to much of its literature. The prevailing neglect of the social for the individual side of life, the glorification of wealth and luxury and other similarly regrettable tendencies of modern societies, have been and are being denounced by socialist teachers with enthusiastic devotion. If they mostly err in the opposite direction, if they, in their turn, disregard the valid claims of the individual in man and mistake compulsion for beneficence, it is only the inevitable backward swing of the pendulum before an equilibrium is reached.

A definition of Socialism which shall alike exclude all those reformatory proposals which, while they bear a

semblance to those of Socialism, yet spring from opposite motives, and will set in motion opposite tendencies, and which shall not fail to include all that Socialism posits, presents certain difficulties, because Socialism has not, on all points, arrived at a static condition. In many respects it is as yet in a state of development. Moreover, the difficulty is increased by the claims which many socialists advance, to count as evidence for the acceptance of their creed, political measures, which, though neither adopted in a socialistic spirit nor of a socialistic character, nevertheless bear a certain semblance to socialistic proposals.[1] Nevertheless, certain leading and essential characteristics are sufficiently developed to enable general limits to be drawn. In endeavouring to elucidate such a definition at the present stage of this inquiry, it is, however, necessary to confine it to the absolutely essential, leaving minor characteristics for subsequent treatment.

[1] "One of the most indefatigable and prolific members of the socialist party, in a widely circulated tract, has actually adduced the existence of hawkers' licences as an instance of the 'progress of Socialism.'"—Hubert Bland, in *Fabian Essays*, p. 212.

PART I

AN ANALYSIS OF SOCIALISM

CHAPTER I

THE ECONOMIC CONCEPTIONS

THE fundamental economic conceptions of Socialism arise from Karl Marx's theories of value and surplus value, and culminate in the conception that the income of landowners, capitalists, and employers alike, with the sole exception of some reward due to the employer as organiser and director of industry, are deductions from the wages of individual labourers, a tribute imposed upon labour.

The following extracts from Marx's great work *Capital* give the substance of these theories :—

"That which determines the magnitude of the value of any article is the amount of labour socially necessary, or the labour-time socially necessary, for its production. Each individual commodity in this connection is to be considered as an average sample of its class. Commodities, therefore, in which equal quantities of labour are embodied, or which can be produced in the same time, have the same value. The value of one commodity is to the value of any other, as the labour-time necessary for the production of the one is to that necessary for the production of the other. As values all commodities are only definite masses of congealed labour-time" (p. 6).[1]

"The value of labour-power is determined, as in every other commodity, by the labour-time necessary for the production, and consequently also for the reproduction, of this special article. So far as it has value it represents

[1] This and subsequent quotations from *Capital* are taken from the stereotyped edition, Swan Sonnenschein and Co. London, 1889.

no more than a definite quantity of the average labour of society incorporated in it. Labour-power consists only as a capacity or power of the living individual. Its production consequently presupposes his existence. Given the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a given quantity of the means of subsistence. Therefore the labour-time requisite for the production of labour-power reduces itself to that necessary for the production of these means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer" (p. 149).

"The value of a day's labour-power amounts to three shillings, because on our assumption half a day's labour is embodied in that quantity of labour-power, *i.e.* because the means of subsistence that are daily required for the production of labour-power cost half a day's labour. But the past labour that is embodied in the labour-power, and the living labour that it can call into action, the daily cost of maintaining it, and its daily expenditure in work, are two totally different things. The former determines the exchange-value (*i.e.* wages) of the labour-power, the latter is its use-value. The fact that half a day's labour is necessary to keep the labourer alive during twenty-four hours does not in any way prevent him from working a whole day. Therefore the value of labour-power and the value which that labour-power creates in the labour process are two entirely different magnitudes, and this difference of the two values was what the capitalist had in view when he was purchasing the labour-power" (p. 174).

"The action of labour-power, therefore, not only reproduces its own value, but produces value over and above it. This surplus-value is the difference between the value of the product and the value of the elements consumed in the formation of the product; in other words, of the means of production (*i.e.* material and fractional parts of 'fixed capital') and the labour-power. . . . The means of production on the one hand, labour-power on the other, are merely the different modes of existence which the value of

the original capital assumed when from being money it was transformed into the various factors of the labour-process. That part of capital which is represented by the means of production, by the raw material, auxiliary material, and the instruments of labour, does not in the process of production undergo any quantitative alteration of value. . . . On the other hand, that part of capital represented by labour-power does in the process of production undergo an alteration of value. It produces the equivalent of its own value and also produces an excess, a surplus-value, which may itself vary, may be more or less according to circumstances" (pp. 191, 192).

"If we now compare the two processes of producing value and of creating surplus-value, we see that the latter is nothing but a continuation of the former beyond a definite point. If, on the one hand, the process be not carried beyond the point where the value paid by the capitalist for the labour-power is replaced by an exact equivalent, it is simply a process of producing value; if, on the other hand, it be continued beyond that point, it becomes a process of creating surplus-value" (pp. 176, 177).

"Capital has not invented surplus-labour. Wherever a part of society possesses the monopoly of the means of production, the labourer, free or not free, must add to the working time necessary for his own maintenance an extra working time in order to produce the means of subsistence for the owners of the means of production, whether this proprietor be the Athenian *καλὸς κἀγαθός*, Etruscan theocrat, civis Romanus, Norman baron, American slave-owner, Wallachian boyard, modern landlord or capitalist" (p. 218).

That this same idea of the unjust nature of surplus-value is entertained, though in slightly altered form, by the latest exponents of Socialism, in spite of the fact, which will be proved later on, that some of them repudiate the foundation on which the Marxian theory is built,—the labour-theory of value,—will be seen from the following quotation, taken from "Tract No. 69," issued by the Fabian Society, and written by Mr. Sidney Webb, *The Difficulties of Individualism* (p. 7):—

"When it suits any person having the use of land and capital to employ the worker, this is only done on condition that two important deductions, rent and interest, can be made from his product, for the benefit of two, in this capacity, absolutely unproductive classes—those exercising the bare ownership of land and capital. The reward of labour being thus reduced, on an average by about one-third, the remaining eightpence out of the shilling is then shared between the various classes who *have* co-operated in the production."

Occupying a place in the economic teaching of Socialism similar to that of surplus-value, is that of the evil of industrial competition. Industrial competition, it asserts, springs from and is inseparable from private ownership and management of land and capital, and the only possible method of putting an end to industrial competition and to the evils which it generates, is to abolish such private ownership and management.

Two lines of reasoning are put forward in support of the maleficent influence of competition. The first of these is based on the limitation of competition. Owing, it states, to the inevitable tendency of modern machine production towards the concentration of industry in the hands of a comparatively small number of powerful individual capitalists, or associations of capitalists, competition has become one-sided. These capitalists instead of competing with each other, form monopolistic combinations to exclude competition between themselves. The inevitable trend of industrial progress is towards the extension of such monopolies until they must include every considerable industry in which machinery is largely employed.

While, however, the capitalist is thus enabled to shelter himself from the evil results of competition, the wage-earners remain exposed to all its horrors. The only remedy for this one-sided competition is the total abolition of industrial competition.

Some examples of this line of reasoning will be found in the following quotations. The first is from the Bible of Modern "Scientific" Socialism, Karl Marx's *Capital*,

pp. 788, 789: "That which is now to be expropriated is no longer the labourer working for himself, but the capitalist exploiting many labourers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralisation of capital. One capitalist always kills many. . . . Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation. . . . The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with it, and under it."

The following is an extract from *Fabian Essays in Socialism*, the official publication of the Fabian Society, London.[1] It states, pp. 89, 90:—

"I now come to treat of the latest forms of capitalism, the 'ring' and the 'trust' whereby capitalism cancels its own principles, and, as a seller, replaces competition by combination. When capitalism buys labour as a commodity it effects the purchase on the competitive principle. . . . But when it turns round to face the public as a seller, it casts the maxims of competition to the winds and presents itself as a solid combination. Competition, necessary at the outset, is found ultimately, if unchecked, to be wasteful and ruinous. . . .

"No doubt the 'consumer' has greatly benefited by the increase in production and the fall in prices; but where is 'free competition' now? Almost the only persons still competing freely are the small shopkeepers, trembling on the verge of insolvency, and the working men competing with one another for permission to live by work."

The next quotation is taken from John A. Hobson's *The Evolution of Modern Capitalism*, p. 357, a work which is conceived and executed in a spirit of patient research and careful analysis, which might serve as an example to many opponents of Socialism.

[1] *Fabian Essays in Socialism* is a complete exposition of modern English Socialism in its latest and most mature phase (Sidney Webb, *Socialism in England*, p. 38).

"Since the general tendency of industry, so far as it falls under modern economics of machinery and method, is either towards wasteful competition or towards monopoly, it is to be expected that there will be a continual expansion of State interference and State undertakings. This growing socialisation of industries must be regarded as the natural adjustment of society to the new conditions of machine production."

In addition, it may not be without interest to quote from the best-known and most widely-circulated work of an American soc[illegible]in Laurence Gronlund's *The Co-operative Commonw[illegible]n*. Though Gronlund is repudiated by more modern socialists as favouring the catastrophic realisation of their doctrines, they do not materially differ from him as far as the doctrines themselves are concerned, and his book is still widely disseminated by socialist organisations. On pp. 42, 43, and 50, he states :—

"The great weapon at the command of the capitalist is *competition*. . . . It deserves the name of *cut-throat competition* when the wage-workers are forced into a struggle to see *who shall live* and *who shall starve*. . . . But these are by no means the only sufferers. The small employers, the small merchants, are just as much victims of that cruel kind of competition as the wage-workers. . . .

"But our big capitalists have a still more powerful sledge-hammer than that of competition ready at hand—to wit, *combination*. . . . They have already found that, while competition is a very excellent weapon to use against their weaker rivals, combination pays far better in relation to their peers."

While the preceding authorities assert the failure of competition to remain free and equal under the conditions of modern industry, and base the proposals of Socialism on this failure, other authorities base them on the evil of competition *qua* competition. They disregard the arguments which arise from one-sided competition and boldly declare industrial competition as such to be the cause of the exploitation and degradation of labour and incompatible with the moral and physical wellbeing of the people.

Thomas Kirkup, one of the most careful and con-

servative of socialist authors, declares in *An Inquiry into Socialism*, p. 94 :—

"So long and so far as the present competitive system prevails, it must tend to the degradation of the workers, to social insecurity, and disaster."

W. D. P. Bliss, a well-known American statistician and writer on economic and industrial subjects, states in *A Handbook of Socialism*, pp. 18, 20, and 21:—

"Individual competition of manufacturers and employers compels them to produce as cheaply as possible in order to sell as cheaply as possible. If they do not they must go out of business; for, under free competition, he who sells a given article the cheapest will get the trade. Therefore, the manufacturer and producer, compelled to buy in the cheapest market, strive among other things to buy labour as cheaply as possible. The labourer, meanwhile, having no good land and no adequate capital, is compelled to sell his labour-force at the best price he can. But since men multiply rapidly while land and capital are limited, and since machinery and invention constantly enable fewer and fewer men to do work formerly done by many, there soon comes to be competition of two (or two thousand) men to get the same job. Now the employer we have seen to be compelled to employ those who will work cheapest. There thus comes to be a competition between workmen to see who will work cheapest, and so get the job. This goes on developing till wages fall to just that which will support and renew the lowest form of life, that will turn out the requisite grade of work.

"Profit sharing, trades unions, partial co-operation, model tenements, charities, may do a little temporary good, but are mere bubbles on the ocean of competition; the only way is to slowly replace competition by universal co-operation, which is Socialism.

"Nor would Socialism limit all competition. Competition is not its devil. It recognises good as well as evil in competition. It would simply abolish *industrial* competition."

The Guild of St. Matthew's is an association of socialist

clerics of the Church of England. In a Memorial addressed to the Pan-Anglican Conference[1] by the Guild, the following statements occur :—

"Our present social system — if the words 'social system' can be used for that which is largely the outcome of anarchic competition — is cruel and dishonest, and needs drastic reform and radical reorganisation. . . . The socialist objects to the competitive commercial system under which we live, that it robs the poor because he is poor," etc.

While the two lines of reasoning here exhibited differ materially one from the other, they are not mutually exclusive. The socialist who objects to private monopoly may, and does, equally object to the freest and most untrammelled industrial competition. This is actually the state of mind prevailing among socialists who otherwise may widely differ from each other. The monopolistic argument is used mainly against the theory that free competition by itself will cure the evils which beset our industrial system, in order to show that such free competition is itself disappearing; while the argument against competition as such is the one mainly relied upon to justify the novel industrial proposals of Socialism. The economic theory of Socialism with regard to competition, therefore, is that of the destructive and disintegrating influence of industrial competition as such. The main difference between Socialism and other non-socialistic methods of social reform will be found to be that, while the former condemns competition as such, the latter condemn the one-sided and inequitable conditions under which competition is now carried on, and look forward to the removal of these unjust conditions and to the establishment of a really free and equal system of competition — the possibility of which Socialism denies — as the cure for the fundamental injustice of modern societies.

These two conceptions, that of the destructive influence of industrial competition *qua* competition, and that

[1] *Report of Pan-Anglican Conference.* London, 1888; Society for Promoting Christian Knowledge.

interest and rent and profit or surplus-value are deductions from the product, and, therefore, from the legitimate reward of the producers, form the bases of the industrial proposals of Socialism. The latter are devised for the purpose of abolishing industrial competition, and the exaction of rent, and interest, and profit, or surplus-value as the only measures which can secure to labour its full and just reward.

CHAPTER II

THE INDUSTRIAL PROPOSALS

SOCIALISTS as well as their opponents have, almost exclusively, sought to define Socialism in terms of its industrial proposals. As a consequence, these proposals have been set out more frequently, and have been framed in more definite terms than is the case with socialist principles generally. Nevertheless, there is no complete agreement between the authorities, even on this, the central point of Socialism, though the differences, as will be seen, are not of sufficient importance to prevent a definite conclusion being arrived at.

The Social Democratic party of Germany is the most numerous and influential body of socialists. Their enunciation of the principles and aspirations which animate them is, therefore, of sufficient importance to justify the republication here, in full, of that part of their latest platform which deals with general principles. It was framed at the Convention of the party, which took place at Erfurt in October 1891, and is known as *The Erfurt Programme.*

"The economic development of industrial society tends inevitably to the ruin of small industries, which are based on the workman's private ownership of the means of production. It separates him from these means of production, and converts him into a destitute member of the proletariat, whilst a comparatively small number of capitalists and great landowners obtain a monopoly of the means of production.

"Hand in hand with this growing monopoly goes the

crushing out of existence of these shattered small industries by industries of colossal growth, the development of the tool into the machine, and a gigantic increase in the productiveness of human labour. But all the advantages of this revolution are monopolised by the capitalists and great landowners. To the proletariat and to the rapidly sinking middle classes, the small tradesmen of the towns, and the peasant proprietors (Bauern), it brings an increasing uncertainty of existence, increasing misery, oppression, servitude, degradation, and exploitation.

"Ever greater grows the mass of the proletariat, ever vaster the army of the unemployed, ever sharper the contrast between oppressors and oppressed, ever fiercer the war of classes between bourgeoisie and proletariat which divides modern society into two hostile camps and is the common characteristic of every industrial country. The gulf between the propertied classes and the destitute is widened by the crises arising from capitalist production, which becomes daily more comprehensive and omnipotent, which makes universal uncertainty the normal condition of society, and which furnishes a proof that the forces of production have outgrown the existing social order, and that private ownership of the means of production has become incompatible with their full development and their proper application.

"Private ownership of the means of production, formerly the means of securing his product to the producer, has now become the means of expropriating the peasant proprietors, the artisans, and the small tradesmen, and placing the non-producers, the capitalists and large landowners in possession of the products of labour. Nothing but the conversion of capitalist private ownership of the means of production—the earth and its fruits, mines and quarries, raw material, tools, machines, means of exchange—into social ownership, and the substitution of socialist production, carried on by and for society, in the place of the present production of commodities for exchange, can effect such a revolution, that, instead of large industries and the steadily growing capacities of common production being as hitherto a source of misery

and oppression to the classes whom they have despoiled, they may become a source of the highest wellbeing and of the most perfect and comprehensive harmony.

"This social revolution involves the emancipation, not merely of the proletariat but of the whole human race, which is suffering under existing conditions. But this emancipation can be achieved by the working class alone, because all other classes, in spite of their mutual strife of interests, take their stand upon the principle of private ownership of the means of production, and have a common interest in maintaining the existing social order.

"The struggle of the working classes against capitalist exploitation must of necessity be a political struggle. The working classes can neither carry on their economic struggle nor carry on their economic organisation without political rights. They cannot effect the transfer of the means of production to the community without being first invested with political power.

"It must be the aim of social democracy to give conscious unanimity to this struggle of the working classes, and to indicate the inevitable goal.

"The interests of the working classes are identical in all lands governed by capitalist methods of production. The extension of the world's commerce and production for the world's markets make the position of the workman in any country daily more dependent upon that of the workman in other countries. Therefore, the emancipation of labour is a task in which the workmen of all civilised lands have a share. Recognising this, the Social Democrats of Germany feel and declare themselves at one with the workmen of every land, who are conscious of the destinies of their class.

"The German Social Democrats are not, therefore, fighting for new class privileges and rights, but for the abolition of class government, and even of classes themselves, and for universal equality in rights and duties, without distinction of sex or rank. Holding these views, they are not merely fighting against the exploitation and oppression of the wage-earners in the existing social order,

but against every kind of exploitation and oppression, whether directed against class, party, sex, or race."[1]

It is not without interest, to compare with the *Erfurt Programme* that issued by the Social Democratic party of Germany at their previous Convention at Gotha in 1875,—*The Gotha Programme.* The extract from the same, here republished, deals with both the industrial and distributive proposals. It will be seen that the latter is formulated in definite terms, while the *Erfurt Programme*, though of later date, is judiciously silent with regard to it :—

"Labour is the source of all wealth and of all culture, and, as useful work in general is possible only through society, so to society—that is to all its members—belongs the entire product of labour by an equal right, to each one according to his reasonable wants, all being bound to work.

"In the existing society the instruments of labour are a monopoly of the capitalist class ; the subjection of the working class thus arising is the cause of misery and servitude in every land.

"The emancipation of the working class demands the transformation of the instruments of labour into the common property of society and the co-operative control of the total labour, with the application of the product of labour to the common good, and just distribution of the same."

The Social Democratic Federation (England) states its objects to be :—

"The socialisation of the means of production, distribution and exchange, to be controlled by a democratic state in the interests of the entire community, and the complete emancipation of labour from the domination of capitalism and landlordism, with the establishment of social and economic equality between the sexes."

The following extract is taken from the Manifesto issued by the Joint Committee of Socialist Associations in England. As a united expression of the principles and aims of socialists it has therefore authoritative value :—

"There is a growing feeling at the present time that,

[1] Professor Ely's translation, *Socialism.*

in view of the increasing number of socialists in Great Britain, an effort should be made to show that, whatever differences may have arisen between them in the past, all who can fairly be called socialists are agreed in their main principles of thought and action. . . .

"On this point all socialists agree. Our aim, one and all, is to obtain for the whole community complete ownership and control of the means of transport, the means of manufacture, the mines and the land. Thus we look to put an end for ever to the wage-system, to sweep away all distinctions of class, and eventually to establish national and international communism on a sound basis."

The Chicago Convention (1889) of "The Socialist Labour Party of the United States" issued a programme containing the following expression of its aims :—

"With the founders of this republic we hold that the true theory of politics is that the machinery of government must be owned and controlled by the whole people ; but in the light of our industrial development we hold, furthermore, that the true theory of economics is that the machinery of production must likewise belong to the people in common."

While the Chicago Convention, being mainly representative of foreign socialists in the United States, cannot claim to speak for native American socialists, it is different with the recently organised "Social Democracy of America." This association, organised by and for Americans, and which, six months after its inception, claimed to already exceed in membership all other socialist bodies in the United States, has formulated its industrial proposals as follows :—

"To conquer capitalism by making use of our political liberty and by taking possession of the public power, so that we may put an end to the present barbarous struggle, by the abolition of capitalism, the restoration of the land, and of all the means of production, transportation, and distribution, to the people as a collective body, and the substitution of the co-operative commonwealth for the present state of planless production, industrial war, and social disorder. . . . The social democracy of America

will make democracy 'the rule of the people' a truth by ending the economic subjugation of the overwhelmingly great majority of the people."

The socialists of France are split up into many parties, differing mainly with regard to the methods—more or less revolutionary—by which their objects are to be attained. There does not, however, seem to exist any difference between them regarding their industrial object, which, as far as can be ascertained, is identical with that of their strongest body, the "Parti Ouvrier Socialiste Revolutionnaire Français." The programme of the latter contains the following declaration :—

"To place the producer in possession of all the means of production—land, manufactures, ships, banks, credit, etc., and, as it is impossible to divide these things among individuals, they must be held collectively."

In addition to these, the most authoritative declarations, because emanating from organised Socialism, some definitions of like character, supplied by prominent socialists and by one of their most eminent opponents, may also be cited.

The first of these is the definition supplied by Dr. A. von Schaeffle. Though Dr. Schaeffle is a State socialist, and as such an opponent of organised Socialism, his definition has been received with almost general approval by socialists as well as others. The final part of the definition, which deals with distribution, must however be accepted with caution, inasmuch as it will be shown presently to be incorrect, and that the error has since been recognised by Dr. Schaeffle himself :—

"To replace the system of private capital (*i.e.* the speculative method of production, regulated on behalf of society only by the free competition of private enterprises) by a system of collective capital—that is, by a method of production which would introduce a unified (social or 'collective') organisation of national labour, on the basis of *collective* or common *ownership* of *the means of production* by all the members of the society.

"This collective method of production would remove the present competitive system, by placing under official

administration such departments of production as can be managed collectively (socially or co-operatively) as well as the distribution among all of the common produce of all, according to the amount and social utility of the productive labour of each." [1]

The two following definitions are taken from leading socialist writers :—

W. D. P. Bliss—"Socialism is the fixed principle capable of infinite and changing variety of form, and only gradually to be applied, according to which the community should own land and capital collectively and operate them co-operatively for the equitable good of all." [2]

William Clarke—"A socialist is one who believes that the necessary instruments of production should be held and organised by the community instead of by individuals, within or outside of the community." [3]

In spite of the variety of expressions used, it will be manifest that all the preceding declarations concur in describing the industrial proposals of Socialism to be :—The transfer to the community of both the ownership and management of all the land, and the means of production, without any exception whatsoever. Schaeffle alone makes a limitation, which, however, is meaningless, viz.—"as can be managed collectively." For it is obvious that every department of production *can* be managed collectively, when the question of relative advantage or consequences is left out of account, as is done by Schaeffle. Even a critic whose sympathies are largely on the side of Socialism—Professor R. T. Ely—makes the following comment on this part of Schaeffle's definition :—"Perhaps it is defective in the statement that Socialism proposes to place under official administration such departments of production as can be managed collectively, without stating directly that Socialism maintains the possibility of a collective management substantially of all production." [4] Moreover, in so far as the preceding declarations form part of the programmes of organised Socialism, they possess authority exceeding that of minor socialist bodies,

[1] *The Quintessence of Socialism*, p. 3.
[2] *A Handbook of Socialism*, p. 9.
[3] *Political Science Quarterly*, December 1888.
[4] *Socialism*, p. 20.

or of individual authors, however eminent, and whether they are socialists or not. Nevertheless, in order to obtain a full grasp of this question, it is necessary to consider also declarations and definitions which, in one way or another, seem to place limits upon the state-ownership and management of industries demanded by Socialism.

The most important of these is the prospectus of the Fabian Society of Socialists—an association which counts among its members not only the most cultured of English socialists, but many men and women whose character, abilities, and attainments have secured for them distinguished positions in the world of literature, science, politics, and commerce :—

"The Fabian Society consists of socialists. It therefore aims at the reorganisation of society by the emancipation of land and industrial capital from individual and class ownership, and the vesting of them in the community for the general benefit. In this way only can the natural and acquired advantages of the country be equitably shared by the whole people. The Society accordingly works for the extinction of private property in land, and of the consequent individual appropriation, in the form of rent, of the price paid for permission to use the earth, as well as for the advantages of superior soils and sites.

"The Society, further, works for the transfer to the community of the administration of such industrial capital as can conveniently be managed socially. For, owing to the monopoly of the means of production in the past, industrial inventions, and the transformation of surplus income into capital, have mainly enriched the proprietary class, the worker being now dependent on that class for leave to earn a living.

"If these measures be carried out without compensation (though not without such relief to expropriated individuals as may seem fit to the community), rent and interest will be added to the reward of labour, the idle class now living on the labour of others will necessarily disappear, and practical equality of opportunity will be maintained by the spontaneous action of economic forces

with much less interference with personal liberty than the present system entails.

"For the attainment of these ends the Fabian Society looks to the spread of socialist opinions, and the social and political changes consequent thereon. It seeks to promote these by the general dissemination of knowledge as to the relation between the individual and society in its economic, ethical, and political aspects." [1]

The limitation here insisted upon—"such industrial capital as can conveniently be managed socially"—is an advance, though a slight one, upon Schaeffle, and by no means definite. It receives, however, a further extension at the hands of Mr. Sidney Webb, a prominent member of the Fabian Society, in the following definition :—

"On the economic side, Socialism implies the collective administration of rent and interest, leaving to the individual only the wages of his labour, of hand or brain. On the political side it involves the collective control over, and ultimate administration of, all the main instruments of wealth production. On the ethical side it expresses the real recognition of fraternity, the universal obligation of personal service, and the subordination of individual ends to the common good." [2]

The definition here given—"the main instruments of wealth production"—is decidedly more definite than that supplied by the prospectus of the Fabian Society, but still errs on the side of ambiguity. Its meaning, however, is explained by another member of the Fabian Society—Mr. Graham Wallas—in an official publication, *Fabian Essays on Socialism.* He defines it as "all those forms of production, distribution, and consumption which can conveniently be carried on by associations larger than the family group." As Mr. Wallas's definition is valuable on other accounts as well, it is cited here *in extenso* :—

"There would remain, therefore, to be owned by the community the land in the widest sense of the word, and the materials of those forms of production, distribution, and consumption which can conveniently be carried on by associations larger than the family group. . . .

[1] Sidney Webb, *Socialism in England*, pp. 12, 13. [2] *Socialism in England*, p. 10.

"The postal and railway systems, and probably the materials of some of the larger industries, would be owned by the English nation until that distant date when they might pass to the united states of the British Empire or the Federal Republic of Europe. Land is perhaps generally better held by smaller social units. . . . At the same time, those forms of natural wealth which are the necessities of the whole nation and the monopolies of certain districts—mines for instance, or harbours, or sources of water-supply—must be 'nationalised.' . . .

"The savings of individuals would consist partly of consumable commodities, or of the means of such industry as had not been socialised, and partly of deferred pay for services rendered to the community, such pay taking the form of a pension due at a certain age, or of a sum of commodities or money payable on demand." [1]

While Mr. Wallas's explanation leaves little to be desired in the way of definiteness, it, on the other hand, shows that the limitation advocated by the Fabian Society is a verbal one only. For the industrial activities which cannot be "conveniently carried on by associations larger than the family group" are few and insignificant. The industry of sewing new buttons to an old shirt may conceivably fall under this head; but the mending of the family socks, washing the family linen, and cooking the family dinner may easily be held to fall within this definition, and many socialists regard them as peculiarly the object of State management.[2] In any case all production, the produce of which exceeds the requirements of the producing family, *i.e.* all production for exchange, is manifestly covered by this definition.

Moreover, the Fabian Society has itself repented of the slight limitation introduced in its prospectus. For at a subsequent date to that on which this document was issued, it became one of the signatories to the Manifesto issued by the Joint-Committee of Socialist Associations,[3] and which declares: "On this point all socialists agree. Our aim, one and all, is to obtain for the whole community

[1] *Fabian Essays*, p. 135.

[2] Vide *Looking Backwards*, etc.

[3] *Ante*, p. 15.

complete ownership and control of the means of transport, the means of manufacture, the mines, and the land."

Similarly, Mr. Sidney Webb has in a later work, *Problems of Modern Industry*, abandoned the slight limitation on collective ownership and control previously introduced by him, as the following quotation shows :—

"We are trying to satisfy the ordinary man . . . that the main principle of reform must be the substitution of collective ownership and control for individual private property in the means of production."[1]

On all these grounds the conclusion is inevitable, that there is no appreciable difference between the aim of the Fabian Society and that of other socialist associations in the direction of State ownership and management, and that these comprise the land and every form of capital. Further inquiry will prove that any limitation of this programme is incompatible with the method of distribution which the Fabian Society or any other socialist body aims at, as also with that "abolition of industrial competition" to which all socialists are pledged.

Moreover, the continuance of any private industry for exchange, however insignificant the volume of its products may be, is incompatible with the abolition of "Private Interest," which, as has been shown, is one of the foremost objects of Socialism. The following quotation proves that socialists, even Fabian socialists, fully admit this fact :—

"To whatever extent private property is permitted, to that same extent the private taking of rent and interest must be also permitted. If you allow a selfish man to own a picture by Raphael, he will lock it up in his own room unless you let him charge something for the privilege of looking at it. Such a charge is at once interest. If we wish all Raphael's pictures to be fully accessible to every one, we must prevent men not only from exhibiting them for payment, but from owning them."[2]

Whether the charge dealt with in the foregoing quotation is rightly described as interest or not, it is clear that

[1] S. and B. Webb, *Problems of Modern Industry*, p. 259 (1898).
[2] *Fabian Essays*, p. 139.

the argument applies with equal force to pictures by living masters. When such a picture is exhibited by its author against an entrance fee, the charge bears the same economic character as that made by a speculator for viewing the work of a dead master. Likewise, if it is desirable that "Raphael's pictures be fully accessible to every one," it is equally desirable with regard to modern pictures of excellence. "Men must be prevented from owning them" also. Therefore, in the opinion of this Fabian essayist, the production of paintings and other works of art for sale or exhibition must be placed under State management. Nor can the logic of this contention be easily disputed by other socialists.

It is equally certain that professional services cannot be permitted to be performed on private account. Although the industrial proposals of Socialism do not necessarily involve such a change, its distributive proposals do involve it. In order that they may be carried out, all professional men must be employees of the State, rendering their services gratis or against a charge which must be paid, not to them, but into the revenue of local or central governmental bodies. This subject, as well as that of domestic service, literature, and science, can, however, be more conveniently considered when the distributive proposals of Socialism are under examination.

CHAPTER III

THE INDUSTRIAL PROPOSALS—*Continued*

THE preceding examination has made it manifest that, in spite of the appearance of limitation in some socialist utterances, there exists a practical agreement between all socialists, which will be seen to be dictated by other principles held by them in common, requiring the socialisation of all industries the products of which enter the circle of exchanges.

The industries thus excluded are, however, so trivial that they may conveniently be disregarded in any definition. There remain, however, some direct consequences of the above proposals to be considered before such a definition can be made.

The first of these is the method by which Socialism proposes to acquire the ownership of land and capital. The prospectus of the Fabian Society states :—

"If these measures be carried out without compensation (though not without such relief to expropriated individuals as may seem fit to the community), rent and interest will be added to the reward of labour." [1]

The *Fabian Essays* supply even more definite information, viz.—"The progressive socialisation of land and capital must proceed by direct transference of them to the community through taxation of rent and interest and public organisation of labour with the capital thus obtained." [2]

The above statements are the more valuable because the exponents of Socialism are generally more than

[1] See *ante*, p. 19. [2] P. 140.

reluctant to give clear expression to their intention on this subject. Taken by themselves—the context in no way alters their meaning—they would, however, lead to the conclusion that Socialism relied upon taxation alone for the establishment of its industrial system. That, however, is impossible. For if the State appropriates by taxation more than its current expenditure requires, it cannot keep the ever-increasing fund idly locked up in some vault. "The public organisation of labour with the capital so obtained" must proceed *pari passu* with its acquisition, in order that the gradual transformation from private to public industry may be realised. There are only two ways in which this can be done, viz. by the creation of new establishments through the purchase of land, machinery, and material, or through the purchase of already existing private establishments.

At first, no doubt, the former process would be largely employed. As, however, increasing taxation results in a reduction of private profit, of rent, and of the value of land, and as the competition of untaxed State establishments reduces still further the value of fixed capital engaged in private enterprises, private industrial establishments could be purchased so cheaply that the second method would prevail. Such land as the State required would of course always be acquired by purchase at rates constantly falling with the increase of taxation. In this way the land and the capital would become the property of the community apparently without confiscation. In reality, however, no compensation would have been paid. For the owners themselves would furnish the compensation fund; and the amount received by them as compensation could not exceed the amount paid by them in special taxation. Some of them would receive more than their contributions, but only on condition that others received less than theirs.

Another method of transference is suggested by Mr. Laurence Gronlund in the following terms:—

"We shall here make a digression to state definitely our position in regard to compensation to the dispossessed

owners of property which we left somewhat unsettled in the last chapter.

"We suggested there that if the final change were accomplished by force, the State would possibly expropriate our men of wealth without compensation whatever. *Their existing rights are such which the law gives, and what the law gives the law can take away.* That would be done without any compunction of conscience, seeing that much of that wealth is obtained by questionable methods, and very much of it by the trickery of buying and selling, which never can create value. . . . But as a matter of policy the State may see fit to give the proprietors a fair compensation for that property which Society takes under its control, *i.e.* for its *real* and not its *speculative* value. But there are two important 'buts' to note. *They will not receive any interest on the sums allowed them.* When all interest has ceased to be legitimate throughout society, society will hardly charge itself with that burden.

"*They will not be paid in money*, but in goods, in articles of enjoyment furnished in annuities to those whose claim is sufficiently large." [1]

This statement shows that Gronlund is a catastrophic socialist, a survival of the past. Nevertheless, his proposal is worthy of examination, as being the only alternative to that of the Fabian Society, if the transfer is to be made gradually. For, though Gronlund considers it under the supposition of a sudden transformation of the existing into a full-blown socialistic system, it might be applied to a gradual transmutation.

The State might establish new or purchase existing industrial enterprises with bonds, and might gradually extend this process till all land and private industrial capital had passed into its possession. If the bonds were made interest-bearing and if the profit from State-conducted industries were sufficient to pay the interest, the compensation would so far be real. If, however, the profit were insufficient, a contingency which cannot be disregarded, taxation of land and capital would have to be resorted to, to the extent of the deficiency. In such case

[1] *A Co-operative Commonwealth*, pp. 135, 136.

the owners of land and capital would, to the same extent, provide their own compensation as in the plan advocated by the Fabian Society.

In either case, however, the payment of interest could not be continued beyond the close of the transition period without a denial of the fundamental principles of Socialism. The bonds would then be repaid in the manner described by Gronlund, in annual instalments of consumption-goods, till the whole of the debt was extinguished. The prospective cessation of interest payments would, however, result in a gradual depreciation of the bonds, which would reach its maximum at the actual termination of the former.

On the other hand, it is also possible to make the bonds non-interest-bearing from the first, and still subject to gradual extinction by delivery of consumption-goods. In this case the bonds would be at a great discount from the beginning.

Whichever of these two systems were adopted, it is certain that many if not all the bonds would change hands during the period of their currency. The question would therefore be raised, whether the State should pay in full for bonds which had been acquired by their actual possessors at much reduced values; nor can there be any doubt how it would be answered.

Gronlund's plan, therefore, while some improvement on that of the Fabian Society from the point of view of landowners and capitalists, is no very great improvement even if it were practicable. The probability, however, is greatly in favour of a mixed system being adopted at the dictates of political expediency. If the socialists are strong enough to induce the State to enter upon the conduct of competitive industries, they will also have sufficient influence to impose special taxation upon land and capital. They may, however, easily be induced to extend the system of State-industry beyond the limits of the capital which such taxation would place at their disposal, and this could only be done by the issue of interest-bearing bonds. It is, however, inconceivable that these bonds would be made exempt from the taxation

imposed on all other forms of wealth, and the bondholders would therefore furnish their own interest to an extent which, ultimately, would amount to the whole interest. Whichever plan, therefore, may be adopted, the compensation paid would fall far short of the value of the property appropriated, even short of that greatly reduced value caused by State-competition or by State-competition combined with special taxation. Socialism, therefore, has no choice; it must rely mainly on confiscation for the gradual transformation of private industry into collective industry.

Attention must now be directed to some of the consequential changes in the existing industrial and financial organisation which are implied in the socialisation of land and capital.

It involves the abolition of all indirect sources of private income and of the entire system of public and private credit as we know it. The taxation of incomes, gradually increasing, would ultimately absorb the interest of all state and municipal indebtedness, which then might be extinguished in the manner already described. Private credits, the interest from which would be taxable in the same manner, could not continue under a system in which the State would borrow and lend without interest, as will be described presently.

Private exchange, both wholesale and retail, would equally disappear, giving way to State-conducted warehouses. These indirect consequences involved in the realisation of the industrial proposals of Socialism are aptly described by Dr. Schaeffle in the following terms :—

"The principle of Socialism is thus opposed to the continuance not only of private property in directly managed means of production (that is, in private business and joint-stock and other associations of capital), but also of individual ownership in indirect sources of income; *i.e.* to the entire arrangement of private credit, loan, hire, and lease—not only to private productive capital, but also to private *loan*-capital. State credit and private credit, interest-bearing capital and loan-capital, are incompatible with the socialistic state. Socialism will entirely put an

end to national debts, private debts, tenancy, leases, and all stocks and shares negotiable at the bourse. . . . Socialism, from its premises, can no longer allow trading and markets, and it would be necessary even for coinage eventually to cease to exist and for labour-money (certificates of labour) to take its place. . . . If we suppose the production by private capitalists to be removed, and a unified, organised common-production in its place, buying and selling, competition and markets, prices and payment by money are at once superfluous. *Within* the socialised economic organisation they are even impossible."[1]

With a slight limitation, regarding public credit, which will be dealt with presently, this passage exhibits with much acumen some of the indirect consequences which necessarily must flow from the public assumption of ownership and management of land and capital.

The socialisation of land and capital further implies their being vested in and managed by some constituted authority or authorities. Socialism proposes to vest such authority, as far as possible, in local governmental bodies, *i.e.* municipalities, county councils, etc., and to confide to the direction of the central government as few of the socialised industries as possible. It must, however, be recognised that the limits of local control are drawn in a narrow circle by the nature of industries. Purely local industries, *i.e.* industries the products of which are destined for local consumption alone, may be so managed with safety, as supply of water, gas, electricity, hydraulic and pneumatic power, as also local means of transport, as cabs, omnibuses, and tramways. Villages and very small towns might also undertake the local production and distribution of bread, meat, milk, and some other quickly perishable articles, though even in these instances complications from the overlapping of authorities could scarcely be avoided. Large towns and cities, which draw their supplies, even of these quickly perishable articles, from wide areas, could not possibly undertake even these limited functions. On the other hand, all those industries which produce easily transportable goods, as well as those means of transport

[1] *The Quintessence of Socialism*, pp. 64, 69, 70.

which extend beyond local limits, must, by their very nature, be managed by one central authority, as agriculture, mining, manufactures, and the wholesale distribution of their products, as well as railways, rivers, canals, and shipping. The reason is obvious. The production of such industries must be kept in harmony with the requirements of the community. In the absence of the competitive organisation this object can only be attained through an administration embracing and controlling the whole field of their production. These considerations make it clear that, with few and comparatively unimportant exceptions, the management of socialised industries must be vested in the central government.

The authority which manages any industry must also control the labour employed in it. The conduct of all industries by the State further imposes upon the State the duty to either find full employment for all its members at all times, or to provide full incomes, without any return in labour, during such times, if any, when employment cannot be found for all. Therefore the managing authority must possess power to appoint for each citizen the kind of labour to which he is to devote himself, as well as the locality where his labour will be of the greatest service. Only by rigorously shifting labourers from an occupation and a place in which they have become superfluous, to occupations and places where their labour is required, can the requirements of the community be harmoniously supplied, and the simultaneous over-production of some goods and under-production of other goods be prevented.

Stress must once more be laid on the fact that Socialism does not contemplate the abolition of all private property, but only of private property in land and capital. That part of the annual product of the national labour and industry which is not required for the replacement, improvement, and extension of national capital, would be distributed among individuals in the shape of consumption-goods, and would become private property. Private ownership in consumption-goods would, therefore, continue in the socialised State. Nor is there any compulsion on individuals to abstain from saving. They could do so

either by collecting durable consumption-goods in their own homes, or by withdrawing from the common fund a smaller amount of goods than they are entitled to, so as to accumulate a reserve on which they could draw at future times. Similarly, the State might advance consumption-goods to citizens on the security of their future labour contributions. The State, and this is the slight limitation on Dr. Schaeffle's pronouncement already alluded to, could thus, consistently with the principles of Socialism, become the debtor and creditor of individuals, provided no interest were paid or charged, though such a course, as will be shown in Part II., would give all the advantages of interest to the borrowers. Private loans, except in so far as they were prompted by charity, would absolutely cease, because it would be safer to allow savings to accumulate with the Government, than, in the absence of interest, to entrust them to some individual whose credit with the Government was exhausted.

Rent of building sites would be paid, but would be payable to the Government. For it would be manifestly unjust to allot to some persons the best and most convenient building sites, while others must be satisfied with inferior ones, without the exaction of an equivalent for the enjoyment of the superior advantage. The equality at which Socialism aims, therefore, requires the continuance of such rent-payments—a fact admitted by some.[1] On the other hand, rent for agricultural land, mines, factory sites, and other natural opportunities of industry, would apparently disappear, the State being, with regard to them, tenant as well as landlord.

The foregoing examination enables us to formulate a definition, perhaps not absolutely comprehensive, yet sufficient for all practical purposes, of what is implied in the industrial proposals of Socialism, viz. :—

Socialism aims at the gradual abolition of private property in and private control of the instruments and

[1] "A Socialist State or municipality will charge the full economic rent for the use of its land and dwellings, and apply that rent for the purposes of the community."—S. B. Webb, *Problems of Modern Industry*, p. 278. The necessity or even consistency of charging rent of "dwellings," *i.e.* interest, is not apparent.

materials of production, land,[1] transportation, trade, loan-capital, and public debts; such abolition to take place without compensation, or through partial compensation only, of present proprietors as a whole. For these private rights it would substitute the collective ownership and management by the community, acting through local or central governmental bodies, of the instruments and materials of production, land, transportation, trade, and loans, continuing private property in and private control of all consumption-goods awarded to individuals as their share of the industrial product.

[1] The term "land" as used here and subsequently includes agricultural land, building sites, mines, waterfalls, and all other natural opportunities.

CHAPTER IV

THE ETHICAL CONCEPTIONS

THE conception which Socialism has formed with regard to the relations existing between individuals and the social entity to which they belong, is totally opposed to that formed by Liberalism and Democratic Radicalism, and is practically identical with that prevailing under the despotism of the post-reformation period.[1] Apart from socialists, it is, at the present time, to be found only among the belated survivals of that period, who march in the rear of English Toryism, or compose the junker-parties of Germany and Austria.[2]

It consists in the denial of the existence of abstract or natural human rights, and its converse, the assertion that all individual rights are derived from the State, as well as in the logical deduction from these premises, that any

[1] "All that is found within the limits of our State belongs to us by the same title. You may rest assured that kings have the right of full and absolute disposition over all the property possessed by the clergy as well as the laity, to use it at all times with wise economy, that is, according to the general necessity of the State."—"Mémoires de Louis XIV. pour l' instruction du Dauphin," Yves Guyot, *La Propriété.*

"The Liberty of the subject lieth, therefore, in those things which, in regulating their action, the sovereign hath prætermitted. . . . Nevertheless, we are not to understand that by such liberty, the sovereign power of life and death is either abolished, or limited. For it hath already been shown that nothing the sovereign representative can do to a subject on what pretence soever can properly be called injustice or injury; . . . and the same holdeth also in a sovereign prince that putteth to death an innocent subject. For though the action be against the law of nature, as being contrary to equity, as was the killing of Uriah, by David, yet it was not an injury to Uriah, but to God."—"The English Works of Thomas Hobbes," by Sir William Molesworth, Bart., vol. iii. *Leviathan*, pp. 99, 100.

[2] "Be it that there are natural rights—that is, in a state of nature, where there is nothing artificial. But men have formed themselves into a social state; all is artificial and nothing merely natural. In such a state no rights ought to exist but what are for the general good—all that are should."—Lord Bramwell, *Land and Capital. The Pseudo-Scientific Theory of Men's Natural Rights.* W. H. Mallock, *Studies of Contemporary Superstitions.*

and all such rights may justly be cancelled by the State, if the latter is of opinion that its interests will be served thereby.

Thus Sidney Webb, in *Socialism in England*, states, p. 79 : "A wide divergence of thought is here apparent between England and the United States. In England the old *a priori* individualism is universally abandoned. No professor ever founds any argument, whether in defence of the rights of property or otherwise, upon the inherent right of the individual to his own physical freedom and to the possession of such raw material as he has made his own by expending personal effort upon. The first step must be to rid our minds of the idea that there are any such things in social matters as abstract rights" (*The State in Relation to Labour*, chap. i. p. 6, by the late W. Stanley Jevons). . . . "The whole case on both sides is now made to turn exclusively on the balance of social advantages." Laurence Gronlund formulates the theory as follows, in *The Co-operative Commonwealth*, pp. 82, 83, and 85 :—

"It" (the conception of the State as an organism), "together with the modern doctrine of evolution as applied to all organisms, deals a mortal blow to the theory of 'man's natural rights,' the theory of man's inalienable right to life, liberty, property, happiness, etc. . . . These so-called 'natural rights' and an equally fictitious 'law of nature' were invented by Jean Jacques Rousseau. Philosophic socialists repudiate that theory of 'natural rights.' It is Society, organised Society, the State, that gives us all the rights we have. . . . As against the State, the organised Society, even Labour does not give us a particle of title to what our hands and brain produce."

In addition to these socialist authorities, an opponent of authority may also be cited, Professor Robert Flint, who states in *Socialism*, p. 373 :—

"It" (Socialism) "denies to the individual any rights independent of Society ; and assigns to Society authority to do whatever it deems for its own good with the persons, faculties, and possessions of individuals."

This denial of individual rights within the Society and independent of that Society, naturally has, as correlative,

the conception, that the State does not exist for the benefit of the individuals composing it, at any given time; that it is an independent organism, possessing an entity and purpose of its own, and that therefore the will, not only of any one individual, but of all individuals, is subordinate to the will of the State. Thus, again quoting from *Socialism in England*, pp. 82, 83, Sidney Webb states :—

"The lesson of Evolution, at first thought to be the apotheosis of anarchic individual competition, is now recognised to be quite the contrary. . . . Even the Political Economists are learning this lesson, and the fundamental idea of a social organism paramount over and prior to the individual of each generation is penetrating to their minds and appearing in their lectures."

Laurence Gronlund's exposition of the theory is too lengthy for quotation in full; the concluding sentences (*The Co-operative Commonwealth*, p. 81) read:—

"We therefore insist that the State is a living organism, differing from other organisms in no essential respect. This is not to be understood in a simply metaphorical sense; it is not that the State merely resembles an organism, but that it—including with the people, the land and all that the land produces—literally is *an organism*, personal and territorial.

"It follows that the relations of the State, the body politic, to us, its citizens, is *actually* that of a tree to its cells, and *not* that of a heap of sand to its grains, to which it is entirely indifferent how many other grains of sand are scattered and trodden underfoot.

"This is a conception of far-reaching consequence."

The consequences which Gronlund draws from this conception are exhibited in the preceding quotation from his work. That they are far reaching cannot be denied. It would be inopportune, at this stage of our inquiry, to examine them or to criticise these conceptions themselves. All that can conveniently be done here, is to show that these ideas form part of the "scientific" synthesis which Socialism claims as its foundation.

It is, however, necessary to point out that this conception of the relations between the State and the in-

dividuals composing the State is not adopted arbitrarily by the authorities which have been quoted. It is a necessary consequence of the basic conceptions as well as of the industrial and distributive proposals of Socialism. For the admission of individual rights, prior to and independent of the State, would stamp these proposals as in the highest degree unjust and despotic. Their defence, on the ethical side, cannot, therefore, be undertaken except on the supposition that no such rights exist, and that all human rights emanate from and are dependent upon the arbitrary will of the State.

To the labourer belongs the fruit of his toil, is generally regarded as the only ethical standard of economic justice. Socialism utterly denies the truth of this proposition, and teaches that the fruits of individual labour belong, not to the labourer, but to the society of which he forms part, to be used by it in such manner as may, in its opinion, promise the best social results. Citing again Laurence Gronlund, we find the following clear and emphatic statement of this conception on p. 145 of *The Co-operative Commonwealth*:—

"A man is entitled to the full proceeds of his labour against any other individual, *but not against society.* Society is not bound to reward a man either in proportion to his services, nor yet to his wants, but according to expediency; according to the behests of her own welfare. Man's work *is* not a *quid pro quo*, but *a trust.*"

This doctrine is based on several different and complementary lines of reasoning. One, mechanical, derives communistic proprietary rights from the far-reaching co-operative processes of modern industry, rendering it impossible to discover which part of any finished product and what share in its value owes its existence to the labour of any individual co-operator, and posits that it is equally impossible to assign to any of them equitable proprietary rights in any part, or in the value of such product. Thus W. D. P. Bliss, in *A Handbook of Socialism*, p. 188, states:—

"Nor can the principle that capital should be private property, because it is the work of man, be allowed in

equity, since it is practically impossible to say what man produced any given portion of capital. All successful production to-day, mental and manual alike, is the result of social processes so intricate that it is impossible to measure the share in the production taken by any one man." Says Edward Bellamy: "Nine hundred and ninety-nine parts out of the thousand of every man's produce are the result of his social inheritance and environment."

While this argument is mainly directed to prove the impossibility of allotting to each labourer the fruits of his toil, another boldly asserts its inequity. Taking the theories of evolution and of value for its basis, it asserts that individual capacity and industry are the result of heredity, arising from the ancestral struggle for existence. Being thus the result of social causes, their product belongs to Society, and not to the individual who accidentally possesses them. Allied to this is the further conception, that the value of any labour product, arising not from the act of the producer, but from the desires of the consumers, *i.e.* from a social cause, such value cannot equitably belong to the producer, but only to Society as a whole.

Still another line of reasoning deduces social ownership of labour products from the influence of the social environment, both on the labourer and the produce of his labour.

The following quotations show examples of these several and cognate arguments. Sir Henry Wrixon attributes to Sidney Webb the following statement (*Socialism*, p. 83):—

"The socialists would nationalise both rent and interest, by the State becoming the sole landowner and capitalist. . . . Such an arrangement would, however, leave untouched the third monopoly, the largest of them all, the monopoly of business ability. The more recent socialists strike, therefore, at this monopoly also, by allotting to every worker an equal wage whatever the nature of the work. This equality has an abstract justification, as the special ability or energy with which some persons are born is an unearned increment due to the struggle for existence upon their ancestors, and consequently having

been produced by Society, is as much due to Society as the 'unearned increment of rent.' "

In the *Fabian Essays*, p. 127, the following opinion is expressed :—

"For now, for the first time since the dissolution of the early tribal communisms, and over areas a hundred times wider than theirs, the individual worker earns his living, fulfils his most elementary desires, not by direct personal production, but by an intricate co-operation in which the effect and value of his personal efforts are almost indistinguishable. The apology for individualistic appropriation is exploded by the logic of the facts of communist production ; no man can pretend to claim the fruits of his own labour, for his whole ability and opportunity for working are plainly a vast inheritance and contribution of which he is but a transient and accidental beneficiary and steward, and his power of turning them to his own account depends entirely upon the desires and needs of other people for his services. The factory system, the machine industry, the world commerce, have abolished individualistic production."

In *Equality*, Edward Bellamy's latest work, the following argument occurs :—

"All human beings are equal in rights and dignity, and only such a system of wealth distribution can therefore be defensible as respects and secures those equalities. The main factor in the production of wealth among civilised men is the social organism, the machinery of associated labour and exchange by which hundreds of millions of individuals provide the demand for one another's product and mutually complement one another's labours, thereby making the productive and distributive systems of a nation and of the world one great machine. . . .

"The element in the total industrial product, which is due to the social organism, is represented by the difference between the value of what one man produces as a worker in connection with the social organisation and what he could produce in a condition of isolation. . . . It is estimated that the average daily product of a worker in America is to-day some fifty dollars. The product of the

same man working in isolation would probably be highly estimated on the same basis by calculation if put at a quarter of a dollar. To whom belongs the social organism, this vast machinery of human association, which enhances some two hundredfold the product of every one's labour? . . . Society collectively can be the only heir to the social inheritance of intellect and discovery, and it is Society collectively which furnishes the continuous daily concourse by which alone that inheritance is made effective." [1]

On these grounds, Socialism boldly pronounces judgment against the older standard of industrial ethics, and declares, that not to the labourer who produces it, but to Society collectively, belongs the wealth which any man's labour produces, and that Society has absolute and exclusive proprietary rights in all the produce of individual labour.

[1] Pp. 79, 80.

CHAPTER V

THE DISTRIBUTIVE PROPOSALS

THE ethical conceptions which Socialism entertains, *i.e.* that of the non-existence of natural rights, and that of the inequity of the labourer possessing the fruits of his exertion, are, as has already been stated, a necessary outcome of its industrial and distributive proposals. The original object of Socialism was no doubt the achievement of justice in distribution—to supplant the undoubtedly unjust distribution prevailing now by a just and equitable apportionment of the products of labour among those who, by their individual exertions, have given it existence.[1] So far, however, socialists have been unable to arrive at an agreement among themselves as to what would constitute a just system of distribution. Moreover, nearly all the proposals of distribution which have been advocated, and all the proposals which are open to Socialism, offend against the conception of justice embodied in the teaching that man possesses inalienable natural rights, and that one of these consists in the right of every individual to the possession and enjoyment of the fruits of his own toil.

Professor Ely enumerates four standards of distributive justice possible under Socialism :—

(1) Absolute mechanical equality, *i.e.* allotting to each an equal quantity and quality of the various consumption-goods available for distribution.

[1] "We might define the final aim of Socialism to be an equitable system of distributing the fruits of labour."—Kirkup, *An Inquiry into Socialism*, p. 105.

"Socialists wish to secure justice in distribution, but they have not yet been able to agree upon a standard of distributive justice, although they now generally seem disposed to regard equality in distribution as desirable."—Ely, *Socialism*.

(2) Hierarchical distribution, *i.e.* allotting to each a general command over consumption-goods, equal in value to the services rendered by him, lessened by a proportional deduction to supply the values required for the renewal, improvement, and extension of the social capital.

(3) Distribution according to needs, *i.e.* allotting to each sufficient to satisfy his reasonable needs, regardless of the value of the services rendered.

(4) Equality of income in value, *i.e.* allotting to each an equal general command over consumption-goods, regardless of the value of the services rendered, but leaving the selection of the goods within the allotted value to the varying individual desires.

The first of these four possible methods of distribution may be disregarded here, as it is not now advocated by any school of socialists, and is obviously impossible in any large community.

The second standard—that of distribution according to service rendered—is the one which naturally would present itself as most nearly in accordance with the generally accepted conception of justice. It has been advocated accordingly by many socialists, and is still presented as their ideal by many when addressing popular audiences.[1] Another section, leaning more to Communism, and accordingly looking to beneficence more than to justice as a social regulator, has advocated, and in some measure still advocates, the third standard, *i.e.* distribution according to needs. The Gotha platform of the Social Democratic Party of Germany (1875)[2] lays it down that "to Society—that is, to all its members—belongs the entire product of labour by an equal right, to each one according to his reasonable wants, all being bound to work."

[1] "Men come greatly to desire that these capricious gifts of nature might be intercepted by some agency having the power and the goodwill to distribute them justly according to the labour done by each in the collective search for them. This desire is Socialism."—*Fabian Essays*, p. 4.

"In the Commonwealth the men will be rewarded according to results, whether they are mechanics or chiefs of industry, or transporters or salesmen. . . . But in regard to the work of the chiefs of industry and professionals, they, undoubtedly, will institute a new graduation of labour. There will be no more £10,000 or £5000, or even £2000 salaries paid. . . . When 'business' is done away with, then their services will be compared with manual work, as they ought to be, and paid for accordingly."—Gronlund, *Co-operative Commonwealth*, pp. 143, 144, and 145.

[2] *Ante*, p. 15.

It is this passage which has caused Dr. Schaeffle to alter his opinion with regard to the distributive proposals of Socialism,[1] and to state :

"Communism had already, in 1875, become the programme of the German Social Democrats, and since then has become more and more their widespread conviction;"[2] and he defines Communism as (*a*) universal obligation to equal labour; (*b*) distribution by the community according to socially recognised "reasonable needs" of each.

The silence of the *Erfurt Programme* on this subject seems, however, to indicate that Dr. Schaeffle may be in error in the latter part of his statement. English socialists, moreover, have but rarely advocated this method, and they as well as others seem to have arrived at the conclusion that the only possible standard under Socialism is the fourth, *i.e.* equal distribution in value, regardless of the value of service.[3]

An examination of these rival systems inevitably leads to the conclusion that English socialists are right, that the method which they advocate is the only one not obviously impossible under Socialism.

Apart from the manifest impossibility of determining the "reasonable needs" of any one, in the absence of any universal standard for the measurement of needs, distribution according to socially recognised needs, if honestly administered, would generally allot smaller incomes to the young and able workers than to feeble and old members of the society. For though the former contribute more to the social income, their needs are few and simple; whereas the latter, who contribute less, possess, by reason of their infirmity, greater and more varied needs. Moreover, the needs of every person would have to be estimated either by himself or by some distributer or distributing body. If the estimate of the claimants were accepted, the utmost

[1] *Ante*, p. 17. [2] *The Impossibility of Social Democracy*, p. 54.

[3] "The fourth idea of distributive justice, and that which seems now to prevail generally among socialists, is equality of income—not a mechanical equality, but equality in value."—Ely, *Socialism*, p. 16.

"The impossibility of estimating the separate value of each man's labour with any really valid result, the friction which would arise, the jealousies which would be provoked, the inevitable discontent, favouritism, and jobbery that would prevail—all these things will drive the Communal Council into the right path, equal remuneration of all workers."—*Fabian Essays*, pp. 163, 164.

resources of the State would probably be insufficient to satisfy all the needs of all of them. If the determination were left with some distributers, their decisions, even if arrived at with the utmost care and impartiality, would, nevertheless, provoke general discontent. Such impartiality cannot, however, be expected. Inevitably the needs of influential and favoured persons would be over-estimated and those of powerless persons under-estimated; jobbery and corruption would undermine the system, and return to a method less exposed to corrupt partiality and more in accord with the interests of the great body of workers would become inevitable.

Distribution according to the value of services rendered is even more impracticable under Socialism. As already pointed out, socialists justly observe—though they base upon it conclusions not warranted by the facts—that the co-operative processes of modern industry obscure the individual origin of the final product, and make it impossible to determine which part of the whole, or of its value, is due to the labour of any one of the co-operators. No one can determine the respective contributions of managers, clerks, book-keepers, spinners, weavers, and carters, to the value of a bale of cotton cloth which their joint labour has produced. Still less possible is it for the socialised State to find a common denominator for the value of services rendered in different occupations. How many hours' work of a weaver equal an attendance by a great physician? How much flannel will equal the value of a great picture? How many hours of a navvy's work will equal one hour's work by a specially skilled mechanic? Competition settles these questions; in the absence of the self-regulating action of competition, which Socialism posits, it is impossible to ascertain the value of any man's services, or the value of any labour product, and, therefore, equally impossible to reward any one in accordance with his services. The attempt to adopt this standard of distributive justice would, therefore, result in an absolutely arbitrary distribution of the social product, and, as the Fabian essayist rightly admits, in friction, jealousy, favouritism, jobbery, and corruption.

There remains, as the last of the theoretically possible systems of distribution under Socialism, that of equal reward in value, regardless of the differing value of services rendered. This reward would probably be ascertained by taking the value of last year's total production, deducting from the same the amount required for the replacement and extension of national capital, and dividing the remainder by the total number of claimants, and placing the resultant amount to the credit of each, to be drawn against—by the selection of consumption-goods—at such times and places and in such variety as individual preference would dictate.

This method, offering fewer difficulties than distribution according to service, is, however, not free from objection. The latter method, as has been shown, is impossible, because it leaves to the distributing agency the arbitrary determination of the value of each person's services and of the value of every commodity. Equality of distribution in value, while eliminating the former difficulty, leaves the latter in full force. Which is the standard of measurement by which, in the absence of competition, the value of all the various labour-products can be determined? The reply of socialists is, that labour-time furnishes such a standard. One hour of any person's labour will be regarded as conferring the same value on the resulting product as one hour of any other person's labour. Even if it be admitted that, under Socialism, purchasers will value the result of a year's work by a talented painter no higher than that of a year's work by an ordinary sempstress, or that people will be no more anxious to live in well-constructed houses than in those badly constructed, great inequality of reward would arise in respect of ordinary consumption-goods.

Take boots as an example. Even under Socialism boots will largely vary in quality, though made within the same labour-time. Not only are there wide differences in quality between various kinds of leather, but the skin from one part of an animal's body yields inferior leather to that from another part. These differences are supplemented by variations in the more or less skilful treatment

of skins and by differences of skill in manufacturing boots. Yet, if labour-time determines value, no notice can be taken of the resulting variations in quality, and boots differing widely in durability, sightliness, and comfort, must be valued alike and must be sold at the same price. In other articles, such as furniture, ornaments, feminine apparel, and others, where artistic merit and fashion largely determine value, labour-time as the measure of value must lead to still greater inequality of benefit.

Seeing that labour-time is not a possible standard of value; seeing that no other has ever been suggested as a substitute for competition, it follows that values must be arbitrarily determined by the action of State officials, with all the consequences of inequality of treatment, jobbery, and corruption. As, however, all possible methods of distribution under Socialism are open to the same objection; as equal distribution in value confines such arbitrary interference within narrower limits than any other, it must be regarded as the least injurious method.

Equality of reward, however, as an inevitable consequence, entails compulsory labour for all who are not physically or mentally incapable. For it would be unjust, demoralising, and, in the end, impracticable, to award to idlers, capable of work, the same reward as to industrious workers. Some system of compelling idlers and malingerers to work, is, therefore, a necessary consequence of the system of equal distribution. The following statement, therefore, seems fully justified by the ethical conceptions of Socialism, by actual proposals made by large sections of socialists, and by general considerations:—

No system of distribution is possible under Socialism, which does not necessitate the arbitrary, and, therefore, corruptive interference of State officials. The one which confines such arbitrary interference within the narrowest limits is the allotment to each of an equal share, measured by value, in that part of the total social income which is available for distribution, accompanied by some system of compulsion to honestly assist in the production of the social income or render other service to the community.

This, the only method of distribution open to Social-

ism, involves, however, further consequences. Equality of distribution cannot stop at any arbitrary line, but must include all workers, whatever the nature of their work. Lawyers, doctors, actors, musicians, painters, journalists, *littérateurs*, and scientists can no more be placed apart and allowed to earn any income they can than can architects, surveyors, engineers, and exceptionally skilful mechanics. The difficulties which beset the distribution of wealth in the socialistic State, therefore, enforce the subjection of all these classes of workers to the directive and controlling superintendence of the State. As they are paid by the State, so they must work under the control of its officials, and these officials must determine the number of those who shall exercise their talents in these professions, and their respective locations; while those who by them may be deemed superfluous must be directed into other avenues of employment. Such control, therefore, implies the selection, by State officials, of the men who shall act as lawyers, doctors, actors, musicians, painters, and sculptors, journalists, *littérateurs*, and scientists. Any men not so selected would have to abstain from such pursuits, unless they carry them on after ordinary working hours. Even if they do so, they cannot sell their pictures and statues, but must give them away, and if they publish the results of their labours, they must do so at their own expense, unless they can induce the proper officials to do it at the expense of the State. In neither case would they receive any payment for their books.

Domestic servants could no more be allowed to bargain for their reward than other classes of labour. Equality of distribution would, however, cause domestic service to become so rare an occurrence that it would take a new form, probably one which would resemble the existing organisation of professional nursing. The professional servants would, however, be paid by the State, who might deduct fees for their service from the credit of those who occasionally employ them.

CHAPTER VI

MODIFICATIONS OF FAMILY RELATIONS

MANY socialist writers advocate changes in the existing marital relation, equally extravagant and repulsive. Disregarding all such advocacy, as possibly the mere outcome of individual idiosyncrasy, we shall inquire here what are the changes in the constitution of the family which the adoption of Socialism must produce.

Equality of reward, rendering women economically independent, must powerfully affect the relation of the sexes to each other. Women will no longer be driven into loveless marriages by fear of destitution or desire for wealth ; nor will such considerations prevent them from seeking the dissolution of unions which have grown distasteful.

The compulsion, accompanying the right to equal reward, to render industrial labour equally with men, must lead to further modifications. Women whose energy is expended in industrial work cannot preserve the comfort or even decency of an individual household. Even if they were able to undertake the additional work required it would be done perfunctorily, their interests lying elsewhere. That this distaste for and inability to perform the duties of the household is a necessary outcome of the industrial occupations of women is shown by present-day experience. An experienced observer, himself a socialist, remarks :—

"The growth of factory work among women has brought with it inevitably a weakening of home interests and a neglect of home duties. . . . Home work is consciously

slighted as secondary in importance and inferior because it brings no wages, and if not neglected is performed in a perfunctory manner, which robs it of its grace and value. This narrowing of the home as a place of hurried meals and sleep is, on the whole, the worst injury modern industry has inflicted on our lives, and it is difficult to see how it can be compensated by any increase of material products. Factory life for women, save in extremely rare cases, saps the physical and moral health of the family. The exigencies of factory life are inconsistent with the position of a good mother, a good wife, or the maker of a home."[1]

This lessening of home interests and neglect of home duties must inevitably lead to the disappearance of separate family homes under Socialism. Married couples, as well as adult single persons, would occupy one or two rooms in what may best be described as boarding-houses, the service in which would be performed exclusively by professional attendants.

The industrial services demanded of mothers must prevent due care being given to children, especially during their earlier years, nor could such care be given under the conditions imposed by residence in boarding-houses. Children would therefore be handed over to the care of the State at as early a period after birth as is practicable.

These, then, are immediate and obviously inevitable results of Socialism :—

Economic independence of women, abandonment of separate family homes, early separation of children and parents, and transference of the former to the care of the State.

The life of the family as it now exists, therefore, would disappear, and the new life must profoundly affect the relation of the sexes as well as the propagation of the race. The probable nature of these consequential changes will form the subject of subsequent inquiry.

[1] Hobson, *Evolution of Modern Capitalism*, p. 320.

portance to counteract the additional power which the assumption of industrial and distributive control will confer upon the central government.

On the other hand, Socialism necessarily tends to a further centralisation, that of internationalism. The ramifications of modern industry extend far beyond the limits of any State. No nation is or ever can again be industrially self-contained. The problem of achieving a balance between production and consumption cannot, therefore, be successfully solved by an authority which is confined to the limits of a single State. Hence, socialists aim, more or less consciously, at some international industrial federation, the executive of which shall regulate the conduct of all industries of international character.

CHAPTER VIII

IS SOCIALISM SCIENTIFIC

ONE of the claims most frequently and passionately urged by modern socialists is, that their system has emerged from the empirical stage and has become scientific. Nevertheless, this claim appears to be unfounded. Knowledge becomes science through the systematic arrangement of the natural laws by which a group or groups of related facts or phenomena are governed, and in their interpretation through causal connection, so that from that which is observable conclusions can be formed with regard to that which is not observable. The essential condition through which a mere collection of facts becomes a science is, therefore, the discovery and tabulation of the invariable, natural laws which govern their appearance. Any system which applies such natural laws to man's needs, is a system based on science, *i.e.* scientific. Thus navigation is scientific, inasmuch as it is based on the sciences of mathematics and astronomy ; a scientific system of medicine is based on the natural laws tabulated by the sciences of biology and chemistry ; a scientific system of mining is based on geology, etc. Likewise any system of politics will be scientific, if it is based on well-ascertained natural laws governing the conduct of man in society. But if any political system is not based on such natural laws, still more if it is based on the express denial of the existence of such laws, it cannot be scientific ; it is a mere empirical conception.

This is the position of Socialism. The most prominent of the conceptions on which it is based is, that there are

PART II

ECONOMICS

CHAPTER I

MARX'S THEORY OF VALUE

THE basis of every politico-economic theory is to be found in its conception of value. For the world-wide industrial co-operation, which unites the nations of the earth into one economic society, depends for its existence upon exchange; not only upon exchange of the final product, but also upon exchange of the numerous intermediate products which make their appearance during the production of every commodity. It also depends upon the still more numerous exchanges of labour and services for products. Exchange, however, is itself dependent upon the formation of a concept of value in the minds of the parties to the exchange. The view taken of the concept "value" must, therefore, fundamentally affect the aspect of our industrial organisation.

Socialism, as has been shown, makes no exception to this rule. Its original German exponent, Rodbertus-Jagetzow, indicated a theory of value consistent with his general conceptions, which, subsequently, was developed by Karl Marx,[1] who formulates it as follows:—

"That which determines the magnitude of the value of any article is the amount of labour (labour-time) socially necessary for its production."[2]

Marx also explains that the labour to which he refers must be understood in the following sense:—

1. "The labour-time socially necessary is that required

[1] The theories of Rodbertus are traced to French, and those of Marx to English sources, by Anton Menger, *The Right to the Full Produce of Labour*.

[2] *Capital*, p. 6; see for full quotation, Part I. chap. i.

to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time." [1]

2. "Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone." [2]

3. "Suppose that every piece of linen in the market contains no more labour-time than is socially necessary. In spite of this, all these pieces, taken as a whole, may have had superfluous labour-time spent upon them. If the market cannot stomach the whole quantity at the normal price of 2s. a yard, this proves that too great a portion of the total labour of the community has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time upon this particular product than is socially necessary. Here we may say with the German proverb: caught together, hung together. All the linen in the market counts but as one article of commerce, of which each piece is only an aliquot part." [3]

These explanations are so contradictory of each other, and of other statements by the same author, presently to be referred to, that they go a considerable way towards discounting his theory.

In Explanation 1 the "socially necessary labour-time" which determines value is stated to be dependent upon "the average degree of skill and intensity prevalent at the time." In No. 3 it is stated that if the market cannot take up all the linen produced, at the "normal" price, *i.e.* the price which covers the socially necessary labour-time, "too great a proportion of the total labour of the community has been expended in the form of weaving. The effect is the same as if each individual weaver had

[1] *Capital*, p. 6. [2] *Ibid.* pp. 11, 12. [3] *Ibid.* p. 80.

expended more labour-time upon this particular product than is socially necessary."

It is, however, manifest that if it is true that the "average degree of intensity prevalent at the time" is the "socially necessary labour-time," then the average degree of intensity with which linen-weavers work determines the "socially necessary labour-time" for the production of a given quantity of linen, and the value of the linen is determined by this labour-time. Therefore, it is impossible, being a contradiction in terms, that "each individual weaver can expend more labour-time upon this particular product than is socially necessary." Some weavers may expend more labour-time on a given quantity of linen than "the average prevalent at the time," but all cannot possibly do so.

If all the weavers increase the labour-time expended upon linen, the average of labour-time "prevalent at the time" in the linen industry will rise, and, *ex hypothesi*, the value of linen must rise. Therefore, it cannot be true, that this course would produce the same effect as "if the market cannot stomach the whole quantity at the normal price of 2s. a yard," for such a contingency would reduce the value of linen, a fact which the wording of the quoted sentence proves to have been apprehended by Marx.

If to this reasoning it is objected, that the average skill and intensity of which Marx speaks is that prevalent, not in a single industry, but throughout all industry, the disproof of the objection lies in the following considerations :—

If the average labour-time requisite throughout all industry determines value, the determinator of value, the average labour-time, is of the same magnitude in all industries, and, as a necessary consequence, the value of the product of all industries must be of the same magnitude, *i.e.* the value of an equal quantity of all products must be the same. One yard of cotton-cloth of a given weight must then exchange for one yard of any silk-cloth of the same weight; one pound of flour must exchange for one pound of meat, for one pound of iron, and for one pound weight of silver and of gold. This we know not to be the case, and

if the objection here considered gave true expression to the meaning of Marx's theory, the latter might be dismissed at once as too absurd for further consideration.

Marx himself, however, makes it quite clear that the theory embodied in this objection is not held by him; though it must be admitted that his own is only a degree less wild. Marx fully recognises that the average labour-time requisite in any industry is determined by other factors besides the skill and intensity of work put forth by the labourers who engage in it, viz. by the appliances and natural opportunities at the disposal of the industry, and, therefore, he regards the average labour-time requisite for the production of any homogeneous product as the measure of the value of that product.

The following quotations bear out this statement :—

"The introduction of power-looms into England probably reduced by one-half the labour required to weave a given quantity of yarn into cloth. The hand-loom weavers, as a matter of fact, continued to require the same time as before; but for all that the product of one hour of their labour represented after the change only half an hour's social labour, and consequently fell to one-half its former value." [1]

And further :—

"Diamonds are of very rare occurrence on the earth's surface, and hence their discovery costs on an average a great deal of labour-time. . . . With richer mines, the same quantity of labour would embody itself in more diamonds, and their value would fall." [2]

These statements clearly prove that in Marx's opinion the value of any product is determined by the average labour-time socially necessary in the production of that product, and not by the average labour-time requisite in all production. Therefore, the value of linen is determined by the average labour-time requisite in its production. If that labour-time increases in quantity, by the habitual slowness or want of skill of all linen weavers, the result, therefore, must be a rise in the price of linen, and not a fall as he asserts in Statement 3.

[1] *Capital*, p. 6. [2] *Ibid.* p. 7.

It is difficult to escape the conclusion that the whole of Statement 3 was framed with a view of avoiding the obvious objection to the labour-time theory of value, that the price of nearly all articles in large demand varies independently of any variation in the labour-time required for their production.

The contradiction, so far proved, is not the most serious one. The statement contained in Explanation 2, that skilled labour counts only as "simple" "unskilled" labour multiplied, is a still more glaring *petitio principii*.

The basis of Marx's theory is that the value of labour-power is determined by the cost of its production, *i.e.* by the labour-time requisite to produce the means of subsistence of the labourer and his family. "The value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer." [1]

If this be true, the value of the labour-power of a skilled labourer is determined in the same manner. It may be that, in general, skilled labour requires more education and a better standard of living than ordinary labour. But it is certainly not true that on an average the "necessary" cost of maintenance of labour increases *pari passu* with its skill. Therefore the labour-time theory of value is upon the horns of this dilemma. Either the value of skilled labour is determined like that of all labour "by the value of the means of subsistence necessary for the maintenance of the labourer," in which case "a given quantity of skilled labour" is not "considered equal to a greater quantity of simple labour," for this idea involves that of proportion; or this latter statement is true, in which case it is untrue that the value of all labour-power is "the value of the means of subsistence necessary for the maintenance of the labourer."

If, of the two horns, the latter is chosen, the whole of the Marxian theory of surplus value resolves itself into an idle dream, for it is based upon the foundation that all labour-power is purchased at sustenance cost by the capitalist and sold by him at product value. If the first horn is chosen, Marx's value theory falls to the ground,

[1] *Capital*, p. 149. For fuller quotation see Part I. chap. i.

for it is then admitted that other elements than average labour-time, socially necessary, enter into the value of products.

Moreover, this conversion of skilled into unskilled labour-time is a still more obvious juggle than the one previously pointed out, and is similarly devised in order to escape from another inevitable objection to the labour-time theory. Goods produced by skilled labour generally possess a greater value, and frequently possess an infinitely greater value than those produced by ordinary labour in the same time. A sketch produced by an artist in one hour may, to take an extreme case, possess a hundred times the value of the work done by a house-painter during an equal time. The recognition of this fact is sufficient to completely disprove the theory that "the value of any article is determined by the labour-time socially necessary for its production." Therefore, this transmutation of skilled into unskilled labour had to be devised in spite of its incongruity with the general character of the labour-time theory in order to mask the facts which disprove this theory.

The trick is the same as that involved in the following dialogue :—

A. All coats have the same price.

B. That cannot be so ; I saw some coats to-day, and found great differences of price. One actually had a price four times as high as that of the cheapest among them.

A. That is, because the more highly priced coats count as less expensive coats multiplied. In the case you mention the most expensive coat counts as four cheaper coats. Therefore your objection has no weight ; it remains true that all coats have the same price.

These incongruities throw considerable doubt upon the theory of value according to labour-time. If now, instead of dissecting the statements of its author, the theory is subjected to the test of deduction, if it is compared with the facts which it is intended to explain, the doubt is converted into certainty. For it is then found to be contradicted by the vast majority of the

phenomena of value. Grouping these into classes, they are—

Land, patents, copyrights, and other monopolies which possess value, though no labour has been expended in their production. It will be obvious that the element which is altogether absent in one class of values cannot be the universal determining factor of all values.

Scarce goods of all kinds, which either cannot be reproduced or the reproduction of which is limited, such as old editions, coins, statues, pictures, rare wines, etc., possess a value which cannot be brought into harmony with labour-time.

The products of all skilled labour possess a value which, as already pointed out, cannot be reduced to the labour-time involved in their production.

The products of the mining and agricultural industries, such as coal, copper, pig-iron, lead, tin, gold, silver, wheat, cotton, wool, and many others, differ widely in the labour-time necessary for the production of the several quantities of each of them. While some land used for wheat-growing will only yield 8 or 9 bushels per acre in average seasons, other land yields to the same or a little more labour-time 25 and 30 bushels. In the mining industry the differences are even greater. Yet all the wheat, or iron, or any other of these products has for the same quantity and quality, and in the same market, the same value. If this value, say of wheat, were determined by the *average* labour-time socially necessary to produce wheat, all those who produce wheat on less productive land, and therefore spend more than the average labour-time in the production of a given quantity, would be at a permanent disadvantage, and those who produce wheat on or near the marginal land, *i.e.* the least productive in use, would be heavy losers year after year.

It is manifestly unthinkable that the farmers who produce this wheat would or could persevere in this disastrous course year after year. In the Australian colonies, at any rate, they are not large capitalists, and would in two or three years find themselves in the bankruptcy court.

The fact is, that unless the value of wheat over an

average of seasons is high enough to compensate for the labour-time necessary to produce wheat at the margin of cultivation, *i.e.* on the least productive land used, wheat cultivation on such land is abandoned. The same fact can be observed in all extractive industries, and is equally true, though less easily proved, of all other industries. The value of goods must therefore, on the whole, be equal to or come near to the greatest amount, and not to the average amount, of labour-time socially necessary to produce the total quantity of such goods which the market requires.

Not only all the products of the extractive industries, but also most of the manufactures, into the composition of which these largely enter, are subject to frequent changes in value, without any alteration in the average labour-time socially necessary for their production. Changes in the value of agricultural products, dependent upon climatic influences, may occasionally be consistent with increase or reduction in labour-time, owing to more or less favourable harvests. Apart from these, however, the market registers daily, weekly, and monthly changes in the value of such products, which cannot be connected with any such cause. Variations in the value of mineral products and their derivatives, which are of frequent occurrence, also cannot be due to any such cause. It is doubtful whether, in the course of these frequent variations, the value of such goods ever approaches that which would be congruous with the average labour-time socially necessary for their production, and it is obvious that, generally, there can be no such congruity.

The same phenomenon may be observed with regard to all goods liable to sudden increases or reductions of demand, *i.e.* fashionable goods.

Protective duties as well as revenue duties generally increase the price of the goods to which they apply without the least increase in the labour-time necessary for their production. This not only holds good with regard to the goods on which the duty has been paid, but also with regard to similar goods, locally produced, on which no such duty has been paid.

The value of all goods which for their production require lengthy processes generally exceeds the value of those which require shorter processes, though the average labour-time involved is the same or less. The differences in the value of new and old wines, and the value of old and useful trees, suggest themselves as convenient examples of this fact.

These facts, embracing almost all the phenomena of value, prove that, while some goods may occasionally possess a value equal to the average labour-time socially necessary for their production, such correspondence is an accident instead of being the rule with regard to all values. A theory which predicates, as a fact universally true of all related phenomena, a relation which is generally absent from all of them, and which only occasionally may exist with regard to some, possesses no element of validity. Whether the Marxian theory of value is examined with regard to the congruity of its various parts; or whether it is examined with regard to its congruity with the phenomena of value which it is intended to relate and explain, the result is the same. Both methods show it to be a hypothesis ill-considered and untenable.

This truth is now admitted by a considerable body of socialists.[1] But not only is Marx's theory still generally accepted as true by the vast majority of socialists; not only do those who reject the theory nevertheless countenance its being taught to the great body of their followers,[2] but all socialists retain their belief in deductions which Marx made from this theory, and for which it seems to be the necessary basis. Nay, it is even maintained that

[1] "English socialists are by no means blind worshippers of Karl Marx. Whilst recognising his valuable services to economic history, and as a stirrer of men's minds, a large number of English socialist economists reject his special contributions to pure economics. His theory of value meets with little support in English economic circles, where that of Jevons is becoming increasingly dominant."—*Socialism in England*, by Sidney Webb, pp. 84, 85.

[2] "The theory of value has a different history. Like the rainbow theory, it began by being simple enough for the most unsophisticated audience, and ended by becoming so subtle that its popularisation is out of the question, especially as the old theory is helped by the sentiments of approbation it excites; whereas the scientific theory is ruthlessly indifferent to the moral sense. The result is that the old theory is the only one available for general use among socialists. It has accordingly been adopted by them in the form (as far as that form is popularly intelligible) laid down in the first volume of Karl Marx's *Capital*."—"The Illusions of Socialism," by Bernard Shaw, in *Forecast of the Coming Century*, p. 164.

Jevons's utterly divergent theory still more fully sustains these deductions.[1] For all these reasons, and in spite of its repudiation by the Fabian socialists, a detailed refutation of Marx's theory of value was necessary ; and for the same reasons, as well as in order to clear the way for subsequent refutations of other economic theories of Socialism, it is advisable now to enter upon an exposition of the law of value accepted as true by those socialists who repudiate the Marxian theory and by economists generally. I refer to Jevons's quantitative theory of value as developed and extended by the Austrian school of economists.

[1] "Possibly if Jevons had foreseen that his theory would make Socialism economically irrefutable . . . his scientific integrity might also have gone by the board."—*Socialism in England*, by Sidney Webb, p. 106.

CHAPTER II

THE QUANTITATIVE THEORY OF VALUE

JEVONS's theory of value takes human desire as its starting-point. Commodities possess value because they can satisfy some want or desire of man, *i.e.* because they possess utility. The desire for any commodity may, however, be so fully met by an increase of supply, that the desire becomes extinguished; while, on the other hand, a reduction in the supply of some commodities, if large enough, may cause the desire for them to become irresistible. "We may state as a general law that the degree of utility varies with the quantity of commodity, and ultimately decreases as that quantity increases." [1]

The several portions of the same stock of a commodity, therefore, possess different degrees of utility. As, however, any two equal quantities of the same commodity are interchangeable, either will be taken with absolute indifference by any purchaser. Hence no one will give more for any equal portion of a stock of a commodity than for that portion which possesses the least utility. Hence the value of the whole stock of any commodity is determined by the utility of its final portion, *i.e.* by its final utility.

Jevons's exposition of the quantitative theory of value, though true as far as it goes, embraces but a limited series of the phenomena of value. It has received the necessary extension at the hand of the Austrian school of economists, whose conclusions are now generally accepted. In the following, necessarily much condensed, summary of their

[1] Jevons, *The Theory of Political Economy*, 3rd edition, p. 53.

teaching I lean largely upon Professor von Böhm-Bawerk's profound exposition in *The Positive Theory of Capital.*

All human action is prompted by desire and resisted by distaste for exertion. In order that a thing may be produced, the desire for it must conquer the distaste for the exertion which its production necessitates. The acquisition of goods through exchange is dominated by the same law. In an exchange of, say boots for hats, the desire of one party for hats must conquer his reluctance to part with boots, and *vice versa*, *i.e.* the thing to be acquired must be more ardently desired than the thing to be given up on both sides or no exchange can take place. But desire and utility are merely two aspects of the same relation. Men desire things because they are of some use to them, *i.e.* because they possess utility ; and things are useless, *i.e.* possess no utility, unless they can satisfy some desire.

Things may, however, be valued from a subjective standpoint—that is, for their power to satisfy the owners' desire for themselves ; or from an objective standpoint, when the desire is for other things which they bring through exchange. In either case their value depends upon, and is a consequence of the utility of the things. Hence it is clear that utility is the cause of both subjective or use-value, and of objective or exchange-value.

Utility and value are not, however, convertible terms, for a thing may possess utility without possessing value. In order that a useful thing may acquire value, the desire for it must be strong enough to provoke action ; and in order to do this the thing must be an indispensable condition of the satisfaction of desire. Water as such is capable of quenching thirst. But if I want a cup of water from a flowing stream, any particular cupful has no more utility than any of the other thousand cupfuls of water which every minute are flowing by. I would lose no satisfaction by the loss of any particular cup of water. It is capable of satisfying my desire, but its possession is not an indispensable condition of satisfaction. Therefore, water, though useful, possesses no value in this place.

In a desert, however, where water is scarce, the loss of any single cup of water may compel some of my desire for

water to go unsatisfied. Where this is the case, every cupful of water is an indispensable condition of satisfaction, and, therefore, water does possess value here.

It follows: in order that utility shall evolve into value, the available quantity of the useful thing must be so limited that some desire for it may have to go unsatisfied unless the available quantity is increased.

The value of goods, therefore, is a consequence of their utility. Their relative utility was classed by the classical school of economists according to the kind of desire which they could satisfy. First in the order of importance they placed necessaries, next superfluities, and last luxuries. Hence they came to the conclusion, adopted by Marx, that the use-value and exchange-value of things had no necessary connection with each other. For according to this classification the use-value of bread infinitely exceeds that of diamonds; yet the exchange-value of diamonds is enormously in excess of that of bread. This, however, is a purely academic manner of looking at the conduct of men. They do not feel the promptings of desire according to this scale. Many a family has stinted itself in food in order to keep a carriage; women constantly deprive themselves of necessaries in order to save money for a new dress or a coveted ornament; and men will deprive themselves of food or go about in old and shabby clothes in order to get tobacco, beer, or tuition. It, therefore, is not the kind of desire which determines the value of the object of that desire, but the degree of desire for that object.

Any given kind of desire is felt in differing degrees of urgency, and may, for a time, be extinguished by satisfaction and even by the assurance of satisfaction. To come back to the former illustration, the man who has drunk enough water and sees more of it flowing by him, has no longer any desire for water. Even in a desert, if conscious that he has more than sufficient water with him, his desire for any particular gallon of this water is small. But should he lose so much of it, that the remainder is barely sufficient for the rest of his journey, he will feel a more urgent desire for what is left and will value it more

highly. The loss of every additional gallon will increase the desire which he feels for, and the value which he sets on, the rest.

Not the kind but the degree or urgency of desire, therefore, measures the utility and the value of the desired object; and as goods of the same kind are interchangeable, the least urgent degree of desire which can be satisfied with the available quantity, *i.e.* the marginal desire, determines the value of the entire available quantity. Or, in other words, the value of any commodity in the market is determined by the valuation of the marginal buyer, *i.e.* the buyer whose effective desire is least urgent.

Not only is every kind of desire felt in many differing degrees of urgency, but many commodities are capable of satisfying several kinds of desire of differing urgency.

As an illustration,[1] take the case of a solitary settler, who has just harvested five bags of wheat on which he must live till the next harvest. He determines that the best use he can make of them is to devote one bag to making bread; one to make puddings and cakes; one to feed poultry for his meals; one to make into spirit; and having no direct use for the fifth bag, he decides that it will be most usefully employed in feeding parrots and song-birds which he will catch. What is now the value of a bag of wheat to him?

There can be no doubt as to his answer, for if he were to lose one of the bags, he would obviously discontinue the feeding of captured birds, while continuing to use the remaining four bags for his more pressing wants as before. The use of one bag for feeding birds, therefore, was the marginal utility of his whole stock of wheat. What he lost, when he lost one bag, was this former marginal utility, and this utility determined the value of this one bag of wheat.

The assumption, however, is that the five bags of wheat are all of exactly the same weight and quality, therefore interchangeable. It is, therefore, a matter of indifference to the settler, which of the five bags is lost, *i.e.* they are

[1] Free rendering of example in *A Positive Theory of Capital*, by Prof. von Böhm-Bawerk.

all of the same value to him. Hence the value of one bag being determined by the least urgent desire which the whole quantity enables to be satisfied, and the value of all bags being alike, it follows that this same desire—the marginal utility—determines the value of all five bags of wheat.

If now another bag were lost, the settler would discontinue making spirits, *i.e.* the marginal utility of four bags of wheat would have been determined by this, the highest use to which the fourth bag of wheat could be put, and this use would have determined the value of all the bags. If another bag were lost, the settler would discontinue the feeding of poultry; and if still another were lost, that of making cakes and puddings. Being then reduced to one bag, none of the less urgent wants can be satisfied; to lose this last bag would mean death. Marginal utility and highest utility have become one, and, to the settler, the value of this remaining one bag is immeasurably high.

Suppose now that a hawker penetrates the wilderness and offers to exchange some of his wares for wheat. If the settler have five bags, he will part with one at a comparatively low rate; for in parting with it he loses only the satisfaction of feeding birds. If his stock consists of only four bags, he will demand a higher rate for any one of them, because he loses a higher satisfaction in parting with it. If he had only one bag, he would not part with it at any price.

The motives which determine the valuation of goods by this solitary settler also determine their valuation in the largest industrial community. Other things being equal, increase of supply reduces value and decrease of supply increases value—that is, when the available quantity of any commodity increases, lower levels of desire must be appealed to than before; these being less urgent will not become active unless the sacrifice imposed through their satisfaction is reduced, *i.e.* until the price falls. The value thus imposed by the least urgent desire determines the value of the whole stock. If supply decreases, less urgent desires cannot be satisfied, and a more urgent desire, forming the marginal of economic employment, produces a

higher value for the whole stock. If, however, the available quantity of any commodity is so large, that all possible desires for it can be satisfied without absorbing the whole quantity, the marginal utility of the whole of it is zero, and the value of it is nothing.

So far it has been shown that the value of goods arises from their utility, and is determined by their marginal utility. It now becomes necessary to consider a class of goods which cannot directly satisfy any desire, but which assists in the production of such desired goods, *i.e.* productive goods, or, in the phraseology of Socialism, "means of production." Whence do these derive their value? The answer is that their value also is determined by the marginal utility of the stock of consumption-goods which forms their final product.

The end and purpose of all production is the satisfaction of human desire through consumption. Therefore, every material, instrument, and opportunity of production from the land downwards is, economically speaking, undergoing the process of being converted into consumption-goods. Take a concrete case, say, that of bread. Let us call it a commodity of first rank. Its existence depends upon that of commodities of second rank, viz. flour, oven, and upon the labour of the baker. The existence of these again depends upon a group of commodities of third rank, viz. wheat, mill, materials of oven, and upon the labour of producing them. They are again conditioned by a group of fourth rank, viz. agricultural implements, building material of mill, by land, and by labour. With the exception of bread, none of these things are desired for themselves, for none can directly satisfy any desire. Each of them, however, does satisfy desire indirectly, through their final product, bread. Each one of these groups of production-goods is, economically speaking, bread in the making; is valued only in so far as it assists in the ultimate satisfaction of the desire for bread. Their only contact with desire is through bread, and their value, therefore, is determined by the value of bread. As the value of bread itself is determined by the quantitative relation between the wants for bread and the supply of bread,

i.e. by the marginal utility of bread, the same condition determines the value of each group of the productive goods which is called into existence by the wants for bread.

In the modern co-operative system of industry, it is, of course, impossible for all intermediate producers to know the value of the final product. But each group of productive goods has an intermediate product, and finds its value in that of its intermediate product. Thus, reverting to our previous illustration, the value of bread directly determines the value of the group of commodities of second rank; the value of flour, their intermediate product, determines that of the group of commodities of third rank; and the value of wheat determines that of the group of fourth rank, of which it is the intermediate product; and all this, because the value of wheat and flour depends upon the marginal utility of bread as much as the value of bread itself. "Though the conduction of value from the anticipated final product back to intermediate product, and from that back to the very first product of all, may remain hidden from each producer, the organisation of industry practically carries the information from stage to stage."[1]

It will thus be seen that this theory derives the cost of production from the marginal value of the final product, instead of deriving the value of the product from the cost of production. However paradoxical this conception may seem when compared with surface appearances, it is nevertheless borne out by common experience. No cost of production can give value to a thing the desire for which has ceased; if goods are out of fashion, *i.e.* if the desire for them has lessened, they fall in value regardless of their cost of production. Merchants and retailers whose shelves are encumbered with "dead stock" know this to their cost.

Common experience, however, suggests, that if the cost of producing an article of general consumption falls, such as iron, steel, wool, or cotton, there will sooner or later be a corresponding fall in its value. The fact is true, but the compelling force does not arise from the lessened

[1] Smart, *Introduction.*

cost of production. The producers are not anxious to lower the price as long as they can dispose of all their products. If they could combine to prevent an increase in supply, they could prevent, as in protectionist countries they have frequently reduced, the fall in value. When, however, such a fall in the cost of production takes place, the supply generally does increase, either through the desire of previous producers to reap the increased profit from a greater number of sales; or through the desire of capitalists to share in the exceptionally high profit, by joining in the production of the article in question; or from both these causes. As a consequence, the wants which previously were fully supplied cannot absorb the additional supply; lower levels of wants must be appealed to, and can only be induced to take up the new supply if it can be obtained with a smaller sacrifice, *i.e.* at less cost. But as all parts of the whole stock are interchangeable, no one will give more for any of them than the marginal buyers offer for the new supply. Hence the value imposed upon this new supply by the new and lower wants to which it appeals, fixes the value of the whole supply, and not its cost of production, and the marginal cost of production must assimilate itself to this new value.

Similarly, if the desire for a commodity declines, the cost of production will tend to assimilate itself to the lower value. Marginal producers, *i.e.* those who produce at the highest cost of production, and who find the new value unprofitable, will curtail and eventually abandon production. A lower cost of production thus forms the margin, while the lessened supply may and ultimately will produce a higher marginal utility, either preventing a further fall in value or raising value again. From both ends, therefore, tendencies arise which assimilate the cost of production to the new marginal utility of the product. It is not the cost of production, but the anticipated value of the product, which is the dynamic force and determines the course of industry. For cost of production, that is the sum of exertions, merely acts as a brake; the active cause of all economic actions is consumption, the satisfaction of human desires, the well-being of man.

CHAPTER III

ORIGIN AND NATURE OF CAPITAL

SOCIALISM posits private ownership of capital as the cause of all or nearly all social injustice. Capital and capitalism are the terms most frequently encountered in its literature, and they are the favoured objects of denunciation. It might, therefore, be supposed that the Socialism which claims to be "scientific" had made a close and serious study of the thing capital—that it had analysed it and clearly conceived what it is. Yet, strange to say, the opposite is the case. The endless mass of socialist literature which overburdens the student contains but few attempts at any definition of capital, and not one serious attempt to determine its nature and functions. Not one makes any distinction between capital, which is the result of labour applied to natural objects, and monopolies, which are the creation of legislative enactments; and, though land and capital are frequently differentiated, such difference is not infrequently denied, either directly[1] or indirectly.[2] The few definitions of capital to be found in socialist literature all suffer from the same fault. The most important of these is that of Karl Marx, who

[1] "When we consider what is usually called capital, we are at a loss to disentangle it from land, as we are to find land which does not partake of the attributes of capital."—Fabian Tract No. 7, *Capital and Land*.

[2] "I know that it has been sometimes said by socialists: 'Let us allow the manufacturer to keep his mill and the Duke of Argyle to keep his land, as long as they do not use them for exploitation by letting them out to others on condition of receiving a part of the wealth created by these others. . . .' Unluckily there are no unappropriated acres and factory sites in England sufficiently advantageous to be used as efficient substitutes for those upon which private property has fastened."—*Fabian Essays*, pp. 139, 140.

The *petitio principii*, substituting "factory sites" in the second sentence for "mills" in the first, is a sleight-of-hand, characteristic of the manner in which prominent socialists endeavour to obscure the land question.

devotes a chapter of *Capital* to its elucidation,[1] and from which the following statements are extracted :—

"The circulation of commodities is the starting-point of capital. The production of commodities, their circulation, and that more developed form of their circulation called commerce, these form the historical groundwork from which it rises. . . .

"As a matter of history, capital, as opposed to landed property, invariably takes the form at first of money ; it appears as moneyed wealth, as the capital of the merchant and the usurer. But we have no need to refer to the origin of capital in order to discover that the first form of appearance of capital is money. We can see it daily under our very eyes. All new capital, to commence with, comes on the stage, that is, on the market, whether for commodities, labour or money, even in our days, in the shape of money that by a definite process has to be transformed into capital."

This process of transformation is thus described :—

"The simplest form of the circulation of commodities is C – M – C, the transformation of commodities into money, and the change of the money back again into commodities, or selling in order to buy. But alongside of this form we find another specifically different form : M – C – M, the transformation of money into commodities, and the change of commodities back again into money, or buying in order to sell. Money that circulates in the latter manner is thereby transformed into, becomes capital, and is already potentially capital. . . .

"In the circulation C – M – C, the money is in the end converted into a commodity, that serves as a use-value ; it is spent once for all. In the inverted form M – C – M, on the contrary, the buyer lays out money in order that, as a seller, he may recover money. By the purchase of his commodity he throws money into circulation, in order to withdraw it again by the sale of the same commodity. He lets the money go, but only with the sly intention of getting it back again. The money, therefore, is not spent, it is merely advanced. . . .

[1] *The General Formula for Capital*, vol. i. Part II. chap. iv.

"The circuit C – M – C starts with one commodity and finishes with another. Consumption, the satisfaction of wants, in one word, use-value, is its end and aim. The circuit M – C – M, on the contrary, commences with money and ends with money. Its leading motive, and the goal that tracts it, is, therefore, mere exchange-value. . . .

"To exchange £100 for cotton, and then this cotton again for £100, is merely a roundabout way of exchanging money for money, the same for the same, and appears an operation just as purposeless as it is absurd. One sum of money is distinguished from another only by its amount. The character and tendency of the process M – C – M is, therefore, not due to any qualitative difference between its extremes, both being money, but solely to their quantitative difference. More money is withdrawn from circulation at the finish than was thrown into it at the start. The cotton that was bought for £100 is perhaps resold for £100 plus £10 or £110. The exact form of this process is therefore M – C – M', where M' = M^{A} – M = the original sum advanced plus an increment. This increment or excess over the original value I call surplus-value. *The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital.* . . .

"As the conscious representative of this movement, the possessor of money becomes a capitalist. . . .

"It (value) differentiates itself as original-value from itself as surplus-value, as the father differentiates himself from himself *qua* the son, yet both are one and of one age; for *only by the surplus-value of £10 does the £100 originally advanced become capital:* . . . M – M', money which begets money—such is the description of capital from the mouths of its first interpreters, the mercantilists.

"Buying in order to sell, or more accurately, buying in order to sell dearer, M – C – M' . . . is therefore in reality the general formula of capital as it appears *prima facie* within the sphere of circulation."[1]

[1] The italics are ours.

Apart from such misconceptions as the one that all capital makes its first appearance in the form of money, which do not concern us here, the foregoing quotations make quite clear Marx's conception of capital, viz. that it consists of all valuable things which yield an income to their possessors, and that it excludes all such things which either permanently or temporarily yield no income. The italicised sentences leave no shadow of doubt as to this meaning. No distinction is, therefore, made by him between the use of money (to adhere to his term) in directions which, while yielding an income to its possessor, add to the general income of the social body, and between the use of money which yields to its possessor an income which is deducted from the general income of the social body.

Moreover, the tenor of the argument implies that all incomes from capital are uncompensated deductions from the general income, that "buying in order to sell," inclusive of the transactions of manufacturers who buy, say cotton in order to sell yarn, is an activity which renders no service whatever. That this view is fully held and deliberately enforced by Marx is not only shown in the development of his surplus-value theory, but also in the following reference to capital :—

"We know that the means of production and subsistence, while they remain the property of the immediate producer, are not capital. They become capital only under circumstances in which they serve, at the same time, as means of exploitation and subjection of the labourer."[1]

Here Marx still pursues the same theory, though the change in expression makes its meaning more clear. The only characteristic which differentiates capital from general wealth is its use as a "means of exploitation and subjection of the labourer." Anything not so used is not capital, and any income derived from capital is therefore "exploited" from the labourer.

Apart from the confirmation of the deductions made from previous quotations, which this passage yields, it

[1] *Capital*, p. 792.

leads to curious results in another direction. For, if true, any machine or other instrument of production which for the time being is not used, or is used by an immediate producer, say a farmer, is not capital. If the farmer engages a workman to drive the engine it becomes capital. A cotton-mill worked by a Co-operative Society could not be capital; if worked by a private employer it might be capital, provided it returned a profit; but if worked at a loss it could not possibly be capital. For, obviously, neither in the co-operative mill nor in that worked at a loss, are "the means of production used as the means of exploitation and subjection of the labourer," while in the private mill, returning a profit, they may be so used. As reasonably may it be held that a gun is not a firearm if it is used for shooting game, but if it is used for shooting a man, then it becomes a firearm.

The foregoing examination proves that Marx made no attempt to find out what capital is, but that he framed his definitions to suit certain deductions which he desired to make from them.

La Propriété, by Paul Lafargue, furnishes (p. 303) another definition, viz.:—

"Under capital one understands all property which affords interest, rent, income, or profits."

Lafargue also, therefore, makes no distinction whatever between land, labour-products, and monopoly-rights, but classes them all as capital. But subsequently he limits this generalisation as follows:—

"A sum of money put at interest is capital; any instrument of labour (land, weaving-looms, metal works, ships, etc.) used not by its proprietor, but by salaried persons, is capital. But the land which is cultivated by its peasant-owner with the aid of his family, the poacher's gun, the fisherman's boat . . . although they are property, are not capital."

This, however, is not merely a limitation, but an absolute contradiction of the principal proposition. For if "all property which affords . . . income or profits" is capital, then the peasant-proprietor's land and the fisherman's boat also are capital, if they "afford an income or

profit" to their owners when used by them, which generally is the case.

Moreover, according to this limitation, land is not capital if the owner and, say, two sons work it; but should one of the three be injured, so that a hired man must be engaged to take his place; or should threatening weather at harvest-time compel the engagement of an additional worker so as to hasten the operation, then it would at once become capital and the proprietor a capitalist.

Laurence Gronlund, in *The Co-operative Commonwealth*, gives the following definitions, pp. 29, 30 :—

"We, therefore, mean by capital that part of wealth which yields its possessors an income without work." . . . "Capital is accumulated fleecings, accumulated, withheld wages."

This view is supported by a greater authority, Frederick Engel, who, in *Socialism, Utopian and Scientific*, p. 43, states :—

"The appropriation of unpaid labour is the basis of the capitalist mode of production, and of the exploitation of workers that occurs under it; even if the capitalist buys the labour-power of his labourer at its full value as a commodity on the market, he yet extracts more value from it than he paid for; and in the ultimate analysis this surplus-value forms those sums of value, from which are heaped up the constantly increasing masses of capital in the hands of the possessing classes."

These definite statements embody most clearly the general conception which socialist writers and teachers wish to convey, viz. that capital, privately owned, not merely robs the workers, but is itself stolen from them, and that any property which yields an income without work is capital. It cannot be denied that socialists, as well as any one else, have a perfect right to define the terms they use as seems good to them, provided the definition is consistent within itself, and is not subsequently departed from. Whether the definition is useful, or whether it tends to obscure the facts under consideration, is, however, another question. The definitions before us embrace objects, the origin,

nature, and influence of which differ so widely from each other, that their agglomeration under one definition has consequences of the most misleading and mischievous character. The present chapter will be devoted to the elucidation of what, in contradistinction to monopoly-rights and other spurious forms of capital, may be called real capital, leaving the treatment of the former as well as of land to subsequent chapters.

All the useful things which constitute wealth are the result of human exertion exercised upon matter in the direction of changing its form or relation so as to fit it for the satisfaction of human desires. But not all such exertion adds to the stock of wealth. Apart from all other cases, it is obvious that labour directed towards the immediate satisfaction of desire fails to do so. For if a man gathering berries puts them into his mouth and eats them, there is no production of wealth ; but if instead he puts them into a basket for subsequent use, the stock of wealth is increased. In order, therefore, that such a simple form of wealth as berries should be produced, some labour had to be expended in advance on the production of something not wanted for its own sake, and unable of itself to satisfy desire.

Take another case. A man, wanting water from a spring at some distance from his hut, may satisfy his desire by going there and raising the water in his bent hand till he has quenched his thirst. But if he takes a piece of wood, hollows it out with fire, and attaches a handle made of twisted reeds, he not only can obtain more water, but can carry it to his hut where it is wanted. Manifestly, however, in order to obtain this greater quantity of water, and in order to carry it where it was wanted, he had to proceed in a roundabout way—that is, he had first to make something for which he had no direct desire, a pail. If he now wants more water still, he may cut down a tree, saw it into boards, make these boards into a flume, and along this channel an infinitely greater amount of water will be carried to his hut by gravitation, *i.e.* without any further exertion on his part than that of occasionally keeping the flume in order.

To obtain this greater supply with less labour, he had, however, to go about the work of producing the water in a still more roundabout way. He had to quarry iron-ore and flux, construct a smelter, smelt the ore into iron, then produce a forge and shape the iron into axe and saw, then fell a tree, saw it into boards, and finally make these into a flume.

It is true, that if one man had to do all this in order to obtain water for his own use, the greater quantity of water thus obtained would not requite him for the labour expended in his roundabout process. But if thousands of men work in co-operation extending over time and space, some quarrying ore and flux and coal; some constructing smelters and forges; others smelting the iron, which others again shape into axes, saws, and other appliances wanted in various industries; if other men, again, fell trees, and still others saw them into boards for the manifold purposes for which boards are wanted, then the man wanting boards for a flume can obtain them through exchange with such a small expenditure of labour, that the construction of a flume may be very profitable to him. It is also obvious that the greater supply of water which he will now obtain is entirely due to the roundabout and co-operative process of producing the water, which began with the mining of the ore, which was carried on by several exchanges of intermediary products, and closed with the exchange of boards for something produced by the labour of their consumer.

The above case is illustrative of the fact that a greater result is obtained by the roundabout process of production than by the direct process. In by far the greater number of productive processes, however, the roundabout process is the only one possible. In the pastoral industry, whether the final product aimed at is meat, wool, or milk, it is obvious that no product can be obtained except indirectly. Animals must be bred and reared; in cold climates shelter must be built for them; fodder must be grown, and various other processes must be performed, before either meat wool, or milk is produced. Similarly, before wheat or any other product of agriculture is obtainable, some sort

of agricultural implements must be constructed, land must be cleared and prepared, seed must be sown, and other processes performed before the harvest can be gathered.

In every kind of manufacture the roundabout process is equally obligatory. In the manufacture of bread from wheat, some sort of a flour-mill and some kind of an oven must be made before the final process of baking the bread can be undertaken.

Similarly, before hides will emerge in the shape of boots, many tools must be constructed and processes undertaken; and even the most primitive manufacture of clothing requires at least a spinning-wheel and some sort of a loom, involving the antecedent labour of their construction.

The absolute necessity of this roundabout process is, however, still more apparent in the higher branches of manufacture. If any one will think out for himself the manifold processes required before a steel pen, a watch, a pocket-knife, or a pair of spectacles make their appearance, he will find that the extension in time and space of the co-operative, roundabout process involved, is as far-reaching as it is indispensable.

We have now arrived at these conclusions :—

In some processes of production, the intermediary production of goods not in themselves capable of satisfying desire, leads to a greater production of the desired goods with the same exertion, or to an equal production of them with less exertion.

In by far the greater number of productive processes, the intermediary production of goods not in themselves capable of satisfying desire is the indispensable condition of the production of the desired goods.

This roundabout process of production, whether merely advantageous or indispensable, requires the co-operation of many producers through exchange; not only through the exchange of the final product, but through the exchange of many intermediate products as well.

Two further conclusions, however, must be drawn.

It was seen that when a man substituted a pail for his hand, the produce of his labour was increased through the extension of the process of production in time. When for the pail he substituted a flume, there was a further increase, but at the expense of still greater delay between the initiation of the productive process and the appearance of the product. This holds true throughout all production. The more roundabout the process, that is, the more goods not in themselves desirable are interposed between raw matter and final product, the more energies and powers of matter are set to work for man's satisfaction, and the greater is the result of his exertion.

And further: The more roundabout the process of production, the more specialised becomes every part of it. With this greater specialisation there comes an increase in the forms and quantities of intermediary products, and consequently a greater number of exchanges. Not only does the co-operative, roundabout process depend upon exchanges for its existence, but as it is extended, so exchanges multiply. Moreover, the process of production is not completed till the ultimate exchange of the final product has taken place, *i.e.* till it is in the hands of consumers. The end and purpose of all production being the satisfaction of human desires through consumption, production only ends where consumption, the satisfaction of desire, begins. And just as coal cannot satisfy human desires till it is brought to the pit's mouth by the labour of the miner, so if it is not wanted there, it still fails to satisfy desire till the coal-merchant and sailor, or other carriers, have brought it to a city, and till the retailer and carter have delivered it in somebody's backyard who wants to burn it. From beginning to end of the roundabout, co-operative process of production, exchange is thus its indispensable condition. It is the bond which gives aim and purpose to the separate and individual efforts of all the co-operators.

The foregoing examination has made clear the nature of capital. It consists of all those forms of wealth which are produced, not for the direct satisfaction of the desires of the producer, but for their indirect satisfaction, through

the assistance which they render in the satisfaction of desire, either as material, instruments, or final product; till, when the productive process is completed by delivery of the final product to its ultimate consumer, this final product loses the special character of capital and becomes simply wealth. Capital is thus seen to consist of labour-products, and it must be obvious that to press under the same description privileges, rights, and possessions, which are not the produce of labour, because their possession entails some consequences akin to those which arise from the possession of capital, is as misleading as to class canaries amongst herbivoræ because they like to nibble lettuce leaves.

It is similarly made clear that what differentiates capital from other wealth is not its use "as means of exploitation and subjection of the labourer," but the relation in which it stands to ultimate human desires, and that this relation is not affected by the question whether the thing is "the property of the immediate producer" or of anybody else, whether it is actually used, or whether, for the time, it remains unused.

Capital, like all wealth, is the produce of labour and land. If capital is "accumulated fleecings," *i.e.* if it is stolen from labour, then all wealth not owned by labourers is equally stolen. That no one can morally obtain wealth without rendering services in return is absolutely true. But it is not true that no one can morally obtain wealth without producing it. Doctors, lawyers, scientists, publicists, and journalists, even socialist ones, no more produce wealth than do singers or actors. But they render services to the wealth-makers, for which the latter are willing to exchange wealth. The socialist denunciation of the capitalist as a robber, because as a capitalist—apart from organiser or manager—he does not produce wealth, is, therefore, illogical. The question is not whether he produces wealth, but whether he renders services to the wealth-makers which entitle him morally to a share in the wealth produced. Here, again, the distinction—unrecognised by Socialism—between the capitalist and the monopolist is of the utmost importance. The monopolist,

as such, renders no service; the capitalist, as such, does, as will be shown in the chapter on interest. That, as long as monopolies exist, the reward which capitalists, as well as employers, obtain for their services may, in the aggregate, be excessive, is true. This, however, is not necessarily an inevitable outcome of the private ownership of capital and the private conduct of non-privileged industries, but may be, and, as will be shown, is a secondary result of legalised monopoly. Even if this were not the case, it would not justify the assertion that all the earnings of capital are stolen from labour. Nor does the undoubted fact that a considerable part of existing capital consists of accumulated tribute exacted from labour by monopolists justify the assertion that "all capital is accumulated fleecings," and still less does it justify "the exploitation of the labourer" to be made the determinating characteristic of capital.

The denunciations which Socialism directs against the capitalistic form of production as "unorganised, chaotic, and anarchic," may justify a slight digression in their refutation, which the foregoing description of the roundabout process of production makes almost superfluous.

Man lives in a world in which nothing is ever at rest. Every particle of matter is constantly being acted upon by other particles of matter, and is reacting upon yet other particles. As the result of these ceaseless activities, there appear energies, such as motion, gravitation, heat, electricity, chemical actions, and the mysterious principle which we call life. The sum of these energies, which nature pours out in ceaseless flow and inexhaustible quantities, without any assistance from man, is the productive endowment of man. From it he draws as much as his knowledge enables him and his wants necessitate, to assist him in satisfying his desires. Where man confines himself to production for immediate or almost immediate consumption, he makes use of a minimum only of nature's energies, and, as a consequence, the produce of his labour is small; as he lengthens the process of production, enlisting more and more of nature's energies, and at more frequent intervals, the produce of his labour increases.

The increase in product is not necessarily proportioned to the increase in the length of the process. On the contrary, after a certain point is passed, every additional stage interposed between the beginning and end of a productive process may give a somewhat less increase of return than the previous one. There is, however, always an increase, against which advantage must be placed the disadvantage of increase of time.

It follows that a community which adopts the roundabout or capitalistic form of production, thereby enormously and progressively increases its power to satisfy wants; and further, that such a community consumes each year but a small part of the fruits of the labour of that year, *i.e.* that it mainly lives on the labour-results of past years which mature during the present year, while directing the greater part of its present efforts towards results which will mature in future years. The longer the process of production, the greater will be the degree of capitalism, the further off will be the time of maturity of present efforts, and the more ample will be their reward. In this sense, therefore, capital is the symptom as well as the cause of profitable production; it exists, because a people, producing more profitably, can postpone to later dates the consumption of the fruits of present efforts. The natural agencies imprisoned in capital and commanded by it enable man to give part of his labour to the imprisonment of more natural agencies which shall do his future work.

This process of roundabout or capitalistic production is made possible through the voluntary co-operation of vast numbers of men, extending in time and space, a co-operation of their physical as well as of their mental powers. Two kinds of co-operation are possible. One is the co-operation of many men, who, for the time, abandoning most of their mental activities, obey the will of one man in their physical exertions, leaving mental guidance to the one. This is the compulsory co-operation at which Socialism aims. The other is a voluntary co-operation, where every man more or less utilises both his physical and mental powers in the production of goods,

which, through the act of exchange, shall satisfy the desires of all of them. This is the capitalistic system, world-wide in its extension, upon which our civilisation is based. While socialistic, *i.e.* enforced co-operation, tends to the repression of the mental energies of most of the co-operators, this voluntary co-operation tends to excite them, and thus, in its results, no less than in its character, far surpasses the former. Capitalistic production, so contemptuously called chaotic and anarchic by the men who cannot conceive of any co-operation except that which is enforced, and of which the lowest savage is capable, is, in reality, the most marvellous system of co-operation which the human mind can conceive; a voluntary, world-wide co-operation of independent units, which alone has enabled mankind to raise itself above a state of savagery, which has enormously increased the sum of human happiness, and which, when freed from the incubus of monopolism which the interference of the State has grafted upon it, will lift mankind above want and the fear of want into a sphere of as yet unimaginable intellectual and moral activity.

CHAPTER IV

THE ORIGIN AND NATURE OF SPURIOUS CAPITAL AND SPURIOUS INTEREST—DEBTS AND MONOPOLIES

HAVING ascertained the origin and nature of real capital, we may now investigate those of spurious capital, which is nearly always confounded with it by socialist writers. Even those among them who occasionally distinguish between capital and monopoly, invariably assert that the latter is an inevitable outcome of the private possession of capital; that capitalism must invariably evolve into monopoly, and that this evolution cannot be prevented except by the socialisation of capital.[1] As far, however, as the present writer knows, no socialist has ever attempted to prove this assertion. The nearest approach to it are attempts, such as that made in the second quotation cited, to prove that private ownership of the raw material of the earth, *i.e.* land, leads to monopoly, and then presume to have proved that capitalism, *i.e.* the private ownership of capital, does so.

It cannot be denied that monopolies may have their origin in legal enactments which are unconnected with the private ownership of capital and the private conduct of industries, and it may, therefore, be that all, or nearly all,

[1] "As sin when it is finished is said to bring forth death, so capitalism when it is finished brings forth monopoly. And one might as well quarrel with that plain fact as blame thorns because they do not produce grapes, or thistles because they are barren of figs."—*Fabian Essays*, pp. 93, 94.

"Granted private property in the raw material out of which wealth is created on a huge scale by the new inventions which science has placed in our hands, the ultimate effect must be the destruction of that very freedom which the modern democratic State posits as its first principle. . . . Thus capitalism is apparently inconsistent with democracy as hitherto understood."—*Ibid.* p. 98.

forms of monopoly owe their existence to this cause. At any rate, no honest conclusion as to the connection between capitalism and monopoly can be arrived at till all monopolies, which obviously exist through special legal enactments, are separated from those for which no such cause can be discovered. An endeavour to do this forms part of this and the following chapter.

The legal rights, which in some respects simulate capital, are either rights of debt or monopolies. Their similarity to real capital is, however, confined to the facts that, like real capital, they may be exchanged and may yield an income to their possessors. In every other respect they absolutely differ from real capital.

A right of debt arises when existing wealth is exchanged for a legal right to demand other wealth at a future date. The wealth to which the legal right refers may be in existence at the time the exchange takes place, or it may come into existence at some future date. But whether it already exists or not, the mere engagement of the borrower to hand over wealth to the lender at some future date does not add to the existing stock of wealth or capital. The stock is the same before and after the loan is made; nay, not infrequently, the wealth by which the right of debt has been purchased has disappeared before the right terminates. To illustrate: A, a manufacturer, sells goods to the value of £100 to B, a wholesale merchant, on credit; B sells these same goods on credit to C, a shopkeeper, for £120; C sells these same goods on credit to his various customers, the ultimate consumers, for £160. The capital has then disappeared, but it is represented by legal rights of debt, aggregating no less than £380.

This element is so conspicuous in the greater part of all public debts as to approximate the same to monopolies. The National Debt of Great Britain is a case in point. The wealth originally borrowed has disappeared without leaving any material representatives, such as part of the wealth borrowed by a railway company finds in the road, rolling-stock, and other labour-products on which it was expended. All that exists, and all that was originally

purchased by the lenders, is a claim on the labour of the people of Great Britain—the right to demand a share in the revenue which Government extracts from them by taxation.

Unlike real capital, therefore, rights of debt can render no service, can give no assistance in production. The capital with which they were purchased may have rendered such service in the past; if it was used productively, its representative may be rendering such service in the present; but the right of debt can render no such service at any time. It is a mere claim to wealth or capital, and, therefore, in its origin and nature so different from capital that the application of the same term to both must lead to the utmost confusion of thought.

It is the same with shares and similar documents. These are mere certificates of part-ownership in capital or legal rights. The share itself has no value apart from the capital or legal right to which it refers. Mere duplication of the number of shares, though it may deceive some into the belief that the capital which the shares represent has been duplicated, has no influence whatever on the amount of capital in existence. But because the legal possession of the share entitles its holder to part of the income earned by the use of the capital or by the exercise of the legal right to which it refers, therefore it is confounded with capital.

Legal rights of debt, such as book-debts, promissory notes, bills of exchange, bank-notes, treasury bills, debentures, mortgages, government and municipal bonds, as well as certificates of part or full ownership, such as shares and certificates of title, are, therefore, not real capital. It must, however, be admitted that they are inseparable from private ownership of capital and wealth, and the writer must also provide against the supposition that he objects to the existence of such rights. Though they are not capital, they, with the sole exception of public debts, the creation of which does involve injustice, are legitimate complements of the private ownership of wealth. For a private debtor has himself received the wealth the purchase of which created the obligation, or has voluntarily taken

upon himself the obligation of the original debtor. Whereas the wealth paid for public obligations was not received by the taxpayers, but, at best, by one generation of them ; nor was the wealth, so received, necessarily used for the benefit of subsequent generations of taxpayers. The moral right of a government to impose on subsequent generations the duty of repaying debts incurred by it as the representative of one generation is, to say the least, doubtful. Its admission in full would justify one generation of men in enslaving all future generations by mortgaging their productive power to the fullest extent, a doctrine which carries with it its own refutation.

The essential character of all monopolies is, that, without causing their possessors to be treated as criminals, they enable them to exact wealth from others without rendering any service in return, or to exact more wealth for such service as they do render than the recipients could be compelled to yield if free competition prevailed. A monopoly, therefore, must be established by law, or the law must have failed to efficiently provide against it.

The principal legalised monopolies existing in civilised countries to-day are :—

The private ownership of the land and of such treasures as the land contains.

The privileged or exclusive use of land for certain purposes.

Legal limitations of competition in certain industries and professions.

The most fundamental of these monopolies is that of the land, inclusive of minerals, water-power, and other natural agencies. As all socialists admit as much it is not necessary to dwell at length on this kind of monopoly here, all the more as it will be dealt with exhaustively in subsequent chapters. Two phenomena, which are not generally understood, ought, however, to be explained here.

In the heart of the city of Melbourne is a block of land, which, except that the trees which grew upon it have been cut down, is in exactly the same state as when the blacks roamed over the site of the future city. No labour

has ever been expended on it; no wealth has ever been created there. Fifty years ago the present owner of the land paid £57 for it to the government; lately he was offered and refused £60,000 for the same land. What is the cause of this increase in the value of this land? It is this. When the land was originally sold, Melbourne was a village on the outskirts of the wilderness, and no one would have given the owner more than £3 a year for the privilege of using it. Since that time the country has been populated, the soil has been subjected to the plough, roads and railways, centring upon Melbourne, have opened the interior of the country, and as a consequence Melbourne has become a great trading centre. The volume of trade has enormously increased, and with it has increased the demand for such land as gives access to trading facilities. Any one wanting a trading location, such as this land presents, therefore, is compelled, and can afford, to pay at least £2000 a year for the privilege of using it. The owner of this land has taken no part in the activities which have resulted in the value which his land now possesses. Even if he had he would have done so as a worker and not as an owner, and would have earned no more title to this land-value than any like worker who is not a landowner. For reasons which do not concern us here the owner of this land has never made use of his power to levy a tribute of £2000 a year upon the industry of the Victorian people without rendering them any service in return. He has preferred to withhold from his fellow-citizens the privilege of using this specially favourable opportunity to produce wealth. But he can exact this tribute any time he chooses, and therefore he can sell the power to do so, the annual value of the land, for £60,000. This sum of £60,000 is now considered to be part of the wealth of the country. As a matter of fact, it is neither wealth nor capital, but the capitalised value of the power to levy tribute from labour and capital without rendering or having rendered any service in return.

Moreover, this power of landowners to exact tribute is not conferred upon them by any past services of the community, but by its present and anticipated future services

and necessities. The frequently ephemeral gold-fields of Australia illustrate one phase of this feature. As long as the field promises well and the population increases, the value of land in the vicinity rises, and frequently rises enormously. As soon as its disappointing nature is ascertained, and the exodus of the population has begun, the value of the land begins to decline again, and if the field is altogether unremunerative, the land declines to its former grazing value.

The concentration of roads and railways upon any centre enormously enhances the land-values there. Not, however, because they have been built, but because they continue to be used. If, acting similarly as Eastern despots have acted, a government were to discontinue the use of these roads by building sapping lines to another centre to which the traffic was directed, land-values in the old centre would decline, and would rise in the new one. Hence it is clear that land-values are not the result of past action, but the capitalised value of the tribute which the present and anticipated future action of the community enables landowners to impose upon the productive activities of the people.

The value of all land, and not merely of that which is withheld from use, is of exactly the same nature. To revert to the former illustration, the great majority of the owners of Melbourne land have made full use of their power to levy tribute. They have either themselves built on the land, or have sold to others permission to build upon it against payment of ground-rent. Where this has been done, wealth and capital, represented by the value of the buildings, has been produced, and as presently will be shown, the income derived from the letting of the buildings is a legitimate return for services rendered. But apart from the value of, and income from, such buildings, there is in every case a value of, and an income from, the land, which can easily be separated from the building value and income. This land-value represents nothing but monopoly, the right to levy tribute from labour for the privilege of using advantages not created by the owner of the land, but which are being created by the community of which

his tenants form part as well as himself, if he is not an absentee, as frequently is the case.

This power to levy tribute from building, agricultural, and mining land, as well as from land put to other uses, becomes capitalised on the basis of the prevailing rate of interest, and the capitalised value of the privilege becomes the value of the land. Where rent or royalty is paid by the users of the land, the difference between the tribute and interest, between the land-value and capital, is comparatively obvious. Where, however, the owner himself uses the land, and still more, where the land is used by a number of part-owners, as, for instance, a mining company owning the mine, the distinction is less easily observed. Nevertheless it is there. In addition to the income which the freehold farmer derives from his labour, he receives one which arises from the use of land made more productive by the community in which he lives. This part of his income can easily be separated from the rest, and forms the basis of the capital value of his land, apart from the improvements. Similarly, the monopoly value of a mine consists of the capitalised value of the royalty which could be obtained for it, and can be easily separated from the capital of the company, *i.e.* mine improvements, ore at the pit's mouth, buildings, machinery, or money.

All these monopoly values, easily separated from real capital, are obviously spurious capital. They are not the result of past labour, but of legal privilege. Their value does not arise, as that of real capital, from services which they render in production, but from the power to levy toll upon production. Yet socialists generally class these monopoly values as capital, and treat the tribute, the spurious interest upon which they are based, as of the same nature as real interest.

The second form of legal monopoly consists of the privileged or exclusive use of specially valuable land, such as is granted to railway, canal, and tramway companies; to the purveyors of gas, water, electric light, pneumatic and hydraulic power, and similar undertakings based upon legal privileges. Every such undertaking, in addition to the legitimate return for the services which it renders,

possesses the power, *in esse* or *posse*, to levy toll from those who avail themselves of their services, and the capitalised value of this toll is mistaken for real capital.

To show the essential nature of the tribute which such monopolies may claim, the following illustration will serve :—

Suppose Government were to grant to me the right to erect gates at all the points giving entrance to the city of London, and to charge one penny to any one who passed through these gates. Suppose also that experience had shown that, on an average, the annual income from this toll was £500,000. If the prevalent rate of interest were 4 per cent, the capital value of the privilege would be £12,500,000. I could sell it for that sum, and whether I sold it or not I would be considered to be possessed of a capital of £12,500,000. As a matter of fact, I would have no capital. All I possessed would be this legal privilege to levy tribute.

If now the number of persons desiring to enter the city of London were to increase, the income from the privilege would increase as well, and with it would rise the capital value of it. Nay, the mere expectation that such increase of traffic would take place in the future would add to the present value of this privilege.

Every successful undertaking of the kind enumerated above possesses, in addition to the value of its capital, some monopoly value of the kind above described.

Consider a railway company. The capital of the undertaking consists of the present value of the road—improvements, plant, buildings, material, etc., less such wear and tear as they have undergone. Suppose any one were to offer to buy any English railroad on such a valuation, or even on the value for which all its capital might be replaced now, without deducting anything for wear and tear. The directors would certainly regard him as a lunatic. Yet if any one offered to buy an ordinary factory of similar age on such terms he would be received with open arms. Whence then the difference ? It arises from the fact that the Legislature has given to the railway company a special privilege, *i.e.* the exclusive use of a narrow strip of land

hundreds of miles long, unbroken by any roads or other rights of use. Having the exclusive right of use to this land, the railway company can charge more for carrying goods and passengers over it than if competing carriers were allowed to run trains over it.[1] The difference between competitive rates and the monopoly rates which the company now charges is a toll on industry as much as the toll levied at the gates in the preceding illustration. Capitalised, this toll forms part of the value of every railway stock. The value of railway shares is thus composed, partly of the value of the capital employed in the undertaking, and partly of the capitalised value of the legal power to levy tribute.

Some of the American tramway companies lend themselves to a detailed illustration of this feature of monopoly, because the facts have been carefully ascertained. To take only one example. Mr. Lee Meriwether, Commissioner of Labour, Missouri, reports as follows with regard to the tramways in St. Louis :—

The amount expended in buildings, inclusive of the cost of their site, and in building the lines and equipping them, is estimated at $8,415,360. The total capitalisation of the lines he states to be $38,437,000, and the dividends paid in the preceding year (1894) as $1,962,468. The value of the undertaking, therefore, exceeds the value of the capital employed by more than $30,000,000. The dividend, calculated upon the value of the capital, amounts to more than 23 per cent. Obviously, if such a business were open to competition, other companies would start, and the rates of carriage would be quickly reduced. But as the existing companies have been granted the exclusive right of using the streets for tramway purposes, no competition is possible ; and this exclusive privilege, enabling the companies to charge monopoly rates, is valued at over

[1] The monopoly resides in the ownership of the road, not in the conduct of the traffic. There can be no more objection to allowing any person or company to run trains over State lines of railway competing for the traffic than there is to allowing private traffic for hire on public roads and streets. The difficulties in the way of regulating the traffic and ensuring safety are not insuperable, as is shown in those cases where competing companies have running powers over the same roads. The advantages of such a system are obvious and great. The same considerations apply to tramways and canals.

$30,000,000, and is regarded as capital by socialists just as much as the cars and rails and buildings of the companies.

Even where the legal right to use the streets is not exclusive, but merely privileged—as, for instance, in gas, electric light, and similar companies which have been accorded the right to lay their mains and cables below the public streets—the impossibility of granting the same privilege to every member of the community acts as a deterrent to competition, and therefore produces monopoly values. This tendency is increased through the fact that wherever competition is limited combination is feasible. The certainty that similar privileges cannot be granted indefinitely enables competing companies for the supply of gas, water, electricity, and similar commodities, as well as competing railway companies, to amalgamate or pool their receipts. The limitation of competition arising from privileged use thus ultimately results in the elimination of all competition, and in the establishment of the same monopoly and the creation of the same monopoly charges and monopoly values as where the legal privilege is exclusive.

All such legal privileges, therefore, are more or less of the nature of toll-gates; their value is not a sign of the existence of any real capital, but consists merely of the capitalised value of a tribute which the possession of such legal privileges enables their owners to exact from others, without rendering service or adequate service in return.

CHAPTER V

THE ORIGIN AND NATURE OF SPURIOUS CAPITAL AND SPURIOUS INTEREST—*Continued*

THE third group of monopolies is one to which socialists have given special attention, without, however, discovering their origin. It consists of monopolies which have been formed by the combination of capitalistic undertakings into groups, called rings, trusts, syndicates, combines, or pools, for the purpose of gaining control over a particular industry, and preventing competition between themselves, either in the purchase of raw material or in the sale of finished goods, or both, and in the hire of labour. Socialists unanimously regard such combinations as the natural and inevitable development of the private ownership of capital under modern industrial conditions. They look forward to the universal prevalence of such combinations, and regard State monopoly as the only possible means of escape from these private monopolies.

As an illustration of this attitude, the following quotation from *The Fabian Essays* will serve :[1]—

"I now come to treat of the latest forms of capitalism, the 'ring' and the 'trust,' whereby capitalism cancels its own principles, and, as a seller, replaces competition by combination. When capitalism buys labour as a commodity it effects the purchase on the competitive principle. . . . But when it turns round to face the public as a seller it casts the maxims of competition to the wind and presents itself as a solid combination. . . . The competing persons or firms agree to form a close combination to keep

[1] Pp. 89, 90, and 93.

up prices, to augment profits, to eliminate useless labour, to diminish risk, and to control the output. . . . Combination is absorbing commerce. . . . The individualist . . . is naturally surprised at these rings which upset all his crude economic notions, and he, very illogically, asks for legislation to prevent the natural and inevitable result of the premises with which he starts. It is amusing to note that those who advocate what they call self-reliance and self-help are the first to call on the State to interfere with *the natural result of that self-help, of that private enterprise*, when it has overstepped a purely arbitrary limit." [1]

If the writer of the above statement were right in his assumption that such combinations as he deals with are the natural and inevitable result of private enterprise, his ridicule of individualists who call for legislation to combat them might be justified. If, however, such combinations owe their existence in almost every instance to legislative interference with private enterprise, then the individualist who calls for the removal of such legislative interference is by no means ridiculous. That this is the case will be seen from the following examination. Before entering upon it, it may, however, be of interest to show that socialists frequently reveal that they are not without some suspicion that this may be the case. The writer of the above-quoted statement, for instance, not only selects nearly all his examples of rings and trusts from the United States, but actually makes the following admissions :—

"The best examples of 'rings' and 'pools' are to be found in America," and "We must again travel to America to learn what the so-called 'trust' is." [2]

Still more definite is the following admission, taken from Hobson's *Evolution of Modern Capitalism*: [3]—

"In most of the successful manufacturing trusts some natural economy of easy access to the best raw material, special facilities of transport, the possession of some State or municipal monopoly of market are added to the normal advantages of large-scale production. The artificial barriers in the shape of tariff, by which foreign competition has been eliminated from many leading manufactures in the

[1] The italics are ours. [2] *Fabian Essays*, pp. 90, 94. [3] P. 141.

United States, have greatly facilitated the successful operation of trusts."

Any examination of the facts fully bears out this statement, *i.e.* that all, or nearly all, successful pools, rings, trusts, syndicates, or whatever other denomination be adopted by monopolistic combinations, owe their success to the possession of some legal privilege—either the possession of exceptionally productive land, or power over routes of transportation, or other legislative exclusion of free competition, or to a combination of such causes. So largely is this the case that, even with regard to the few instances in which the existence of such favouring causes cannot be proved, the presumption of their existence is very strong.

Legal limitations of competition in industries which, not depending on special privileges, are by their nature competitive, have been favoured devices of despotic rulers, as well as of those interested in such industries, for their own enrichment at the expense of the masses of the people. The privileges of mediæval trade-guilds, the monopolies established by Tudor and Stuart kings, the mercantile system, and last, not least, its modern offspring, the protective system, all have used and use the same device with the same object, *i.e.* to enable certain producers to charge higher prices for their products than they could compel buyers to pay under the action of free competition.

The protective system renders this service to manufacturers within the protected area by placing duties on competing foreign goods from which similar goods made within such area are exempt. Foreign goods being thus artificially increased in price, the competing home manufacturers can either raise the price of their own goods to the same level, in which case little or no exclusion of foreign goods takes place; or they can raise the price of their goods to a level a little below that of the foreign goods plus the duty, when the competing foreign goods will be excluded, while at the same time a higher price for locally-made goods is obtained. The large and exceptional profit of such protected manufacturers, however, speedily attracts rivals into the protected area, and, as a conse-

quence, the limited requirements within the area are either overtaken, or threatened to be overtaken. This over-production would speedily reduce prices and deprive manufacturers of the exceptional profits, the promise of which protection held out to them. The protective system, however, supplies the remedy in the facility for combination which it offers. Foreign competition being excluded as long as the price is kept a little below that of foreign goods plus the duty, the number of manufacturers who need combine for the purpose of avoiding competition is comparatively small, and is favoured by proximity of location. To take one trade as an example. It is obviously impossible for all the cotton-spinners of the world to agree with regard to the quantity of yarn which they will produce and the prices which they will charge. But it is much more feasible for the cotton-spinners of one country to do so, especially when the exceptionally high prices which they obtain in their home market enable them to sell any surplus in outside markets without any profit, or even at a loss. Protection, therefore, not only restricts competition directly, but it also offers seductive facilities and temptations for such combinations in further restriction or abolition of competition as are known as combines, pools, rings, trusts, and syndicates.

While protection thus enables local manufacturers to combine, and to do so with such profit to themselves, that it is worth their while to undertake the trouble, and even risk, where such action has been made illegal, free trade tends to prevent such combinations. In free-trade countries prices are governed by international competition, and no combination can raise local prices by more than a fraction —equal to cost of freight—over those ruling in the world's markets, unless it included all, or nearly all, the world's producers.[1] The advantages therefore, even where local combinations are feasible, are too small to induce the trouble and risk of forming them, unless they are favoured

[1] "In the great majority of cases there is only a very narrow margin between the price at which English manufacturers can produce a commodity and the price at which it can be produced abroad, so that a comparatively small rise in price will afford to the foreign manufacturer the coveted opportunity of acquiring a new market."—J. Stephen Jeans, *Trusts, Pools, and Corners*, p. 30.

by some other legal privilege. Hence the comparative rarity of such industrial combinations in free-trade Great Britain, and their prevalence in industrial countries which have adopted a protective policy. Thus, once more quoting from Mr. J. Stephen Jeans's valuable work, *Trusts, Pools, and Corners*:—

"The iron manufacturers of Germany regularly adopt two sets of prices. The tariff, by protecting them from outside competition, enables them to quote a high range of prices—which are often regulated by combination—to home consumers, while they dispose of a large surplus at a lower range of prices in neutral markets, where they have to face the competition of other countries." [1]

Similarly, Professor Hadley states: [2]—

"Nearly every industry in the United States employing fixed capital on a large scale has its pool, whether they call it by that name or not."

Von Halle, in *Trusts in the United States*, furnishes a table comprising no less than 501 separate combinations, rings, and trusts, embracing almost every product of industry, and states:—

"The Sugar Trust, it is alleged, arbitrarily dictates prices on its purchases, and, with the aid of the tariff, sells at prices which yield a greater profit to the refiner than could be obtained under free competition. This was admitted by Mr. Havemeyer (President of the Trust) before the investigation committee of the United States Senate, 15th June 1894." [3]

The same result has followed from the protective tariffs of European countries. *The Forum* of May 1899 publishes an article, "Trusts in Europe," by Wilhelm Berdrow, which states: "It is in Germany, however, of all European countries, that trusts have spread most extensively and have been most successful. . . . The German and Austrian rolling-mill unions, the trusts of the chemical industries, as well as the most important French trusts—the latter embracing more particularly the

[1] P. 177.
[2] "On Trusts in the United States," in *Economic Journal*, March 1892, p. 73.
[3] P. 69.

iron, petroleum, and sugar industries—have all adopted the method of selling conjointly by means of a central bureau, in order to dictate prices and to deprive the individual members of every vestige of independence. . . . As far as England is concerned, it must be admitted, notwithstanding her great industrial activity and her competitive warfare not less pronounced than that of other states, the trust system has as yet found but tardy acceptance in that country. This is doubtless due in some degree to the thorough application of the principles of free trade; for it is well known that the largest trusts are powerless unless their interests are secured by a protective tariff excluding from the home market the products of foreign countries."

Combinations have been so rarely successful in Great Britain that, dealing with the recent amalgamation of the sewing-cotton factories, the *Economist* of 4th December 1897, could say:—

"This is the introduction of the American trust system into Great Britain. . . . There is a certain consolation, however, in the fact that in such a country as ours industrial monopolies seldom attain anything like permanent success."

While protection alone is thus the fruitful parent of one set of industrial monopolies, others owe their origin to a combination of protection with the ownership of mineral lands; still others to a combination between the owners of railways and mineral lands, or indirectly to the existence of privately owned railways, canals, and mineral lands alone.

As an example of the former, the anthracite coal pool in the United States may be cited.[1] Practically all the anthracite coal mined in the United States comes from a limited area of rich deposits in the state of Pennsylvania. This area is intersected by canals and railways, owned by three companies, which control about 90 per cent of the output through the purchase of this proportion of the coal-land. The duty on foreign anthracite coal is 67

[1] See "Anthracite Mine Labourers," by G. O. Virtue, in *Bulletin of the Department of Labour, U.S.*, Nov. 1897; and Jeans, *Trusts, Pools, and Corners*; and H. D. Lloyd, *Wealth against Commonwealth.*

cents per ton, equal to about 30 per cent *ad valorem*. Being thus secured against foreign competition, and holding their local competitors in the hollow of their hand, through the ownership of all the routes of transportation, the three railway and canal companies, as long as they are united, dictate prices for the whole of the output and wages for all who seek employment. Though quarrels between them have been frequent, each being followed by a reduction in the monopoly price of coal, they have only been intervals in the general course of exploitation through the combination of their interests.

A more remarkable case, as exhibiting the indirect influence of the monopolising tendency of private ownership of routes of transportation, is the rise and progress of the small group of men, which, after monopolising the kerosene oil trade of the United States, is now extending its supremacy in so many directions as to foreshadow the coming of an autocracy over the entire industry of that country. This monopoly has been established, and is still being maintained by secret, illegal, and immoral contracts with the privately owned railways of the United States, which not only give lower freights to these favourites than to their competitors, but which in various other ways utilise the control over these public highways for the destruction of the business of the latter. The following evidence, of which that furnished by Mr. Henry W. Lloyd in his painstaking work, *Wealth against Commonwealth*,—the statements of which are based entirely upon official evidence,—is of special interest, will sustain this contention :—

"He (Mr. Rockefeller) was able to secure special rates of transportation with the help of some bribed railroad freight-agents." [1]

"One witness declared that the trust received from the railway companies fourth-class rates on quantities of oil in less than car-load rates, whereas he had to pay first-class rates; and that he had practically been driven out of business in localities covered by certain roads who thus favoured the trust." [2]

[1] E. von Halle, *Trusts in the United States*, p. 11.
[2] J. S. Jeans, *Trusts, Pools, and Corners*, p. 95.

"After taking 3700 pages of evidence and sitting for months, the committee of 1879 of the New York Legislature said in their report: 'The history of this Corporation (the Standard Oil Trust) is a unique illustration of the possible outgrowth of the present system of railroad management in giving preferential rates, and also showing the colossal proportions to which monopoly can grow under the laws of this country. . . . The parties whom they have driven to the wall have had ample capital and equal ability in the prosecution of their business in all things save their ability to acquire facilities for transportation.'

"More than any others the wrongs of the oil industry provoked the investigations by Congress from 1872 to 1887, and caused the establishment of the Interstate Commerce Commission, and more than any others they have claimed the attention of the new law and the new court. The cases brought before it cover the oil business on practically every road of any importance in the United States—in New England, the Middle States, the west, the south, the Pacific Coast; on the great east and west trunk roads—the Pennsylvania, the Erie, the Baltimore, and Ohio, the New York Central, and all their allied lines; on the transcontinental lines—the Union Pacific, the Central Pacific, the Southern Pacific; on the Steamship and Railroad Association controlling the south and southwest. They show that from ocean to ocean, and from the Gulf of St. Lawrence to the Gulf of Mexico, wherever the American citizen seeks an opening in this industry he finds it, like the deer forests and grouse moors of the old country, protected by gamekeepers against him and the common herd.

"The terms in which the commission have described the preference given the oil combination are not ambiguous: 'great difference in rates,' 'unjust discrimination,' 'intentional disregard of rights,' 'unexcused,' 'a vast discrepancy,' 'enormous,' 'illegal,' 'excessive,' 'extraordinary,' 'forbidden by the Act to regulate commerce,' 'so obvious and palpable a discrimination that no discussion of it is necessary,' 'wholly indefensible,' 'patent and provoking

discriminations for which no rational excuse is suggested,' 'obnoxious,' 'disparity,' . . . 'absurd and inexcusable,' 'gross disproportions and inequalities,' 'long practised,' 'the most unjust and injurious discrimination . . . and this discrimination inured mostly to the benefit of one powerful combination.'"[1]

The control exercised by a few millionaires over the meat and cattle trade of the north-western States of the Union originates in the same cause. E. von Halle states :—

"The special investigation of the meat and cattle trade" (United States Senate Report, No. 829, 51st Congress, second session, 1st May 1890) "demonstrates that heavy pressure on the railroads and ownership of the Chicago stockyards on the one hand, 'friendly agreements' on the other, had resulted in an effective control of the whole market. . . . They fix the prices for the purchase of cattle and sales of meat in the markets of Chicago, Kansas City, and Omaha."[2]

This is confirmed by Henry D. Lloyd :—

"When a farmer sells a steer, a lamb, or a hog, and the housekeeper buys a chop or roast, they enter a market which for the whole continent, and for kinds of cattle and meats, is controlled by the combination of packers at Chicago known as 'the Big Four.' This had its origin in the 'evening' arrangement, made in 1873 by the railroads with preferred shippers, on the ostensible ground that these shippers could equalise or 'even' the cattle traffic of the roads. They received $15 as 'a commission' on every car-load of cattle shipped from the west to New York, no matter by whom shipped, whether they shipped it or had anything to do with it or not. The commission was later reduced to $10. They soon became large shippers of cattle ; and with these margins in their favour 'evening' was not a difficult business. By 1878 the dressed beef business had become important. As the Evener Combine had concentrated the cattle trade at Chicago, the dressed-beef interest necessarily had its home

[1] Henry D. Lloyd, *Wealth against Commonwealth*, pp. 476-478.
[2] E. von Halle, *Trusts*, pp. 21, 22.

at the same place. It is a curious fact that the Evener Combine ceased about the time the dressed-beef interest began its phenomenal career. The committee appointed by the United States Senate to investigate the condition of the meat and cattle markets found that under the influence of the combination the price of cattle had gone down heavily. For instance, in January 1884 the best grade of beef cattle sold at Chicago for $7.15 per hundred pounds, and in January 1889 for $5.40; north-western range and Texas cattle sold in January 1884 at $5.60, and in January 1889 at $3.75; Texas and Indian cattle sold in 1884 at $4.75, the price declining to $2.50 in December 1889. These are the highest Chicago prices for the months named.

"'So far has the centralising process continued that for all practical purposes,' the report says, 'the market of that city dominates absolutely the price of beef cattle in the whole country. Kansas City, St. Louis, Omaha, Cincinnati, and Pittsburg are subsidiary to the Chicago market, and their prices are regulated and fixed by the great market on the lake.'

"As to the effect on retailers, local butchers, and consumers, it was admitted by the biggest of 'the Big Four,' 'that they combined to fix the price of beef to the purchaser and consumer, so as to keep up the cost in their own interest.'

"The favouritism on the highways, in which this power had its origin in 1873, has continued throughout to be its mainstay. The railroads give rates to the dressed-beef men which they refuse to shippers of cattle, even though they ship by the train load—'an unjust and indefensible discrimination by the railroads against the shipper of live cattle.' The report says: 'This is the spirit and controlling idea of the great monopolies which dominate the country . . . no one factor has been more potent and active in effecting an entire revolution in the methods of marketing the meat supply of the United States than the railway transportation.'"[1]

Similar preferential treatment on the part of railway

[1] Henry D. Lloyd, *Wealth against Commonwealth*, pp. 33-36.

companies has been instrumental in creating many other monopolies which apparently have no such causal connection with railway monopolies, notably that of some English and American express companies.

Still another series of monopolies owes its origin and existence to the ownership of patents and copyrights, as is the case with the Western Union Telegraph Company, the Bell Telephone Company, the School Book Trust, and many others.

The manner in which the semblance of capital is given to these monopoly rights is stated as follows :[1]—

"It is said to be customary for the preferred stock in all American stock-companies to represent the money, value of land, plant, materials, products, etc., whilst the common stock at the beginning represents goodwill, rights, etc., to which by and by accumulated profits add a more tangible basis."

The magnitude of this process of converting monopoly rights into spurious capital, generally known as "watering stock," is illustrated by the same investigator as follows :[2]—

"From 45.2 per cent in 1891, the actual value of the property" (of the Cotton Oil Trust), "it rose to 48 per cent in 1892, 50 per cent in 1893, 50.8 per cent of the capitalisation in 1894. From this we may conclude that . . . the actual value of the undertaking, minus the goodwill, was not much more than from one-fourth to one-fifth of the capital stock. This agrees with the testimony of Mr. John Scott before the New York State Committee in 1888."

The latest available balance-sheet of the "American Tobacco Company," published in *Bradstreets* of 14th May 1898, exposes an even greater discrepancy between real and spurious capital. This company, with the assistance mainly of the tariff, but, to some slight extent, with the help of some patents, controls the cigarette trade of the United States, and is now underselling the makers of plug tobacco with a view of forcing them into a combination with itself. In the course of 1897 it lost $1,000,000

[1] E. von Halle, *Trusts*, p. 107. [2] *Ibid.* p. 106.

in this endeavour. Nevertheless, the net profit on all its transactions during this year was $4,179,460, on a capital composed of $4,009,000, representing real estate, plant, and machinery, and of $24,876,000, representing monopoly rights, such as patents, trade-marks, and goodwill. There is also a reserve fund, accumulated out of past profits not divided, amounting to $10,900,000.[1]

[1] While this book was awaiting publication, two articles, respectively entitled "The Rage for Trusts" and "The Trend of Trusts," appeared in *The Public*, a weekly journal published in Chicago. They are from the pen of the editor of the journal, Mr. Louis F. Post, an accomplished economist, and are so instructive that the present author sought and received permission to republish them in combined form. They are reproduced accordingly as Appendix VII.

CHAPTER VI

A COMPARISON OF REAL WITH SPURIOUS CAPITAL

THE examinations conducted in the two preceding chapters prove that industrial monopolies are not an inevitable outcome of the private ownership and control of industrial undertakings, as Socialism posits, but that they, in nearly all instances, arise from special privileges granted by the State. Therefore, no such far-reaching and disastrous remedy as that which Socialism provides is required for their abolition. Owing their existence to special privileges, the withdrawal of these privileges will terminate their existence. They are the creatures of the unjust interference of the State with the equal rights of its citizens. Not further interference, as Socialism demands, but the abolition of such interference is, therefore, required to terminate their existence.

The further demonstration, furnished by the preceding examination, is, that these monopoly-rights simulate the appearance of capital, and that the tribute which they exact largely simulates that of interest ; as also, that these must be carefully distinguished from real capital and real interest, if a true conception is to be formed of the influence upon the distribution of wealth which the private ownership of real capital and of unprivileged industrial undertakings exercises.

This distinction between real and spurious capital, between material products of human labour applied to land, and the immaterial products of legal enactments, must, however, be carried one step further.

All products of labour are destined to be consumed either in the direct satisfaction of human desires, as wealth,

or in their indirect satisfaction, as capital; either in one act, as food, or in a series of acts extending over shorter or longer periods, as clothing, furniture, tools, machines, buildings, and others. The object aimed at in the production of all such things is the satisfaction of human wants, and the only way to achieve this object is by their destruction through consumption. Even if this object fails to be achieved, these products of human labour nevertheless disappear sooner or later. Either they are lost, as in shipwrecks, or destroyed in accidents, as in fires, or they gradually disappear under the influence of mechanical decay and chemical disintegration.

The products of human labour which retain their character of wealth for the longest period are gold, silver, and precious stones. It may be that among the stores of precious metals and jewels now existing, there is some portion which has been of service to man from the very dawn of history. Yet even these long-lived products of labour differ only in degree and not in kind from all other forms of real wealth. For even gold, silver, and precious stones tend to disappear again as soon as they are produced: jewels by being lost or spoiled; precious metals by being consumed in the arts, or through wear and tear when passing from hand to hand as money, or when used as ornaments, or through being lost.

All wealth and capital, therefore, being the product of human labour, has, like man himself, a temporary existence only, and the stock of it, existing at any time, is far smaller than is generally supposed. Were the continuous processes of production to cease, even for one year, not only would the vast majority of men die of starvation, but there would be an unimaginable scarcity of all the more permanent forms of wealth and capital as well. Mankind lives mainly from hand to mouth. The wealth existing at any time is mainly the product of the labour of a few preceding years, and though some forms of wealth may continue to exist for comparatively long periods, as some buildings, statues, pictures, and others, not only are these rare exceptions, but it is only through the constant application of more labour that their life is thus prolonged.

Real capital, in common with all labour-products, is subject to this consumption, decay, and destruction. Legal enactments, however, are not subject to these influences. Unless they are repealed by another act of the Legislature they exist as long as the nation exists ; and as long as they remain in force, every monopoly-right which they create continues to exist as well. There is to-day in Great Britain scarcely any wealth, and certainly no form of capital, which dates back to the Norman Conquest ; but the monopoly of the land of Great Britain, then initiated, has continued to exist and has been extended and intensified. Many secondary monopoly-rights also, created centuries ago, continue to exist at the present time, of which the New River Company, which levies tribute upon a large section of the inhabitants of London, is only a prominent example.

The creation of new monopoly-rights, to which nearly all legislatures devote a considerable part of their time and energies, is, therefore, not necessarily counteracted, as is the case with real capital, by the disappearance of older creations, and, therefore, their mass is steadily increasing.

Moreover, social progress constantly tends to reduce the value of real wealth and capital, while it similarly tends to increase the value of all monopoly-rights. For social progress, consisting of increase in population, advance in the arts and sciences, lengthening of processes of production and multiplication of exchanges, tends steadily to facilitate and increase the production of all useful things, and thus to reduce their value, while it frequently leads also to the sudden destruction of value in forms of capital which have been rendered obsolete by new inventions and discoveries.

The same cause, however, tends to enormously increase the value of land and other monopoly-rights. To revert to previous examples, the land of England does not materially differ in extent, and does not differ at all in character, from what it was at the time of the Conquest. Yet the whole of its capital value at the former time would be covered over and over again by the tribute

which Englishmen now pay for its use within a single year. In the city of Adelaide a piece of land was lately sold at a rate which, for 10-feet frontage, exceeded the price which the Government received some half-century ago for the whole area of that city. The same advance in value is conferred by the same cause upon secondary monopolies. Depending, like land, for their value upon the tribute which they can exact from individual consumers of the goods and services to which they relate, increase of population adds to the number of tributaries which they can exploit, while all progress tends to reduce the cost of producing the goods or services which they render. Their annual net income, and, therefore, their capital value, is thus constantly enhanced by social progress.

The value of all real capital is thus constantly declining, and all of it has only an ephemeral existence, disappearing soon after labour has created it, and depending upon further labour for its recreation. Monopoly-rights, on the contrary, are constantly increasing in value and number and have permanent existence. It follows that what Socialism terms capital consists in every country to by far its largest extent of mere monopoly-rights and to a small extent only of real capital. This is true even of Great Britain, where protective monopolies have been abolished, and is still more true of countries like the United States, Germany, and France, where their baneful influence has been added to that of other and even more far-reaching monopolies. It is, therefore, obvious that the diagnosis of the social malady upon which the doctrines of Socialism are founded is faulty in the highest degree, and that, therefore, the remedy which it proposes cannot be the true remedy. Making no distinction between real and spurious capital, between what is permanent and obviously unjust and injurious, and what is ephemeral and has never been proved to be unjust or injurious, it condemns both alike. By combining, under one denomination, these two widely differing classes of property, socialists obscure the action of both, and have, therefore, been unable to see that the relations between labour and

the owners of real capital are profoundly affected by the existence of these monopoly-rights. That the power which the capitalist possesses over labour is not due to his possession of real capital, but to the weakening of the economic position of labour through the baneful action of monopoly-rights, will be shown in subsequent chapters.

CHAPTER VII

SURPLUS-VALUE

As shown in Part I. chapter i., one of the fundamental theories of the economic teaching of Socialism is that of surplus-value as set forth in Marx's *Capital.* Starting from the conception that the value of any commodity is determined by the average labour-time socially necessary for its production—a conception which, as already stated, is now repudiated by many Socialists themselves—he arrives at the conclusion that the value of labour, *i.e.* wages, is similarly determined by the necessary cost of maintenance of the labourer and his family, *i.e.* the labour-time necessary to produce his labour-power. On this foundation—shown to be false in Part II. chapter i.—he erects the theory of surplus-value. Shortly stated it runs: The average labour-day (labour-power) is largely in excess of the time required by the labourer to produce the equivalent of his maintenance (labour-value). The excess of time spent in labouring produces a surplus-value which, being appropriated by the employer, becomes ultimately divisible into rent, interest, and profit. Supposing the labour-day to number twelve (12) hours, and six hours to be sufficient to produce the value required for the labourer's maintenance or wages, it follows that the other six hours are spent in labouring for the exclusive benefit of the capitalist-employer. His gain, the surplus-value, therefore, arises from the unpaid appropriation of a part of the labour-time of every labourer, *i.e.* from that part of the value of the product of individual labour which exceeds the cost of the labourer's maintenance. Surplus-value, therefore, is a

deduction from the product of individual labour, appropriated by the capitalist-employer.[1]

As Marx himself admits that the creation of surplus-value, in his theory, is merely an extension beyond a certain point of the production of value generally,[2] the demonstration, given in Part II. chapter i., of the erroneous nature of his theory of value destroys the basis on which his conception of surplus-value rests. For if the value of labour-power is not determined by the consumption of the labourer and his family, and if the value of goods is determined by other factors than the average labour-time socially requisite to produce them, then the difference between the value of labour-power and labour-product does not necessarily arise from the unpaid appropriation by the employer of part of the labour-power. The importance of the subject is, however, far too great to allow it to rest at this point, and requires a complete examination. In this and the following chapters, therefore, an endeavour will be made to show that this entire conception of the origin of surplus-value is crude and misleading, first by showing that the theory is contradicted by facts, secondly, and at greater length, by a careful examination of the component parts of surplus-value.

If the Marxian conception of the origin and nature of the tribute which is undoubtedly exacted from labour were true, *all* surplus-value must be a deduction from the product of individual labour. If it can be shown that there are cases in which surplus-value arises which can be seen by him who runs not to be deducted from the product of such labour, the conception must be false. The following examples furnish such instances :—

A jeweller employs five women in sorting and stringing pearls. His capital is, say, £150,000, and his annual sales of strings of pearls amount to £100,000. His average annual clear profit is, say, £8000. If this sum represents a deduction from the produce of individual labour, it must be deducted from the labour-product of the five women whom the jeweller employs. Each of them must, there-

[1] For quotations see Book I. chapter i.

[2] See quotation from *Capital*, pp. 176, 177, in Part I. chapter i. p. 5.

fore, be entitled to an addition of £1600 a year to the wages which she is actually receiving.

If, to this *reductio ad absurdum*, it is objected, that the surplus-value of £8000 may, as to its greater part, be deducted from the product of the labour of the divers and other labourers employed in harvesting the pearls from the ocean-bed, and transporting them to the jeweller's shop, the reply is obvious. These men were not employed by the jeweller, but by preceding capitalists, who, according to the supposition, themselves extracted surplus-value from the labour of their workmen. The price which the jeweller paid for the pearls included this surplus-value, just as the price which his customers pay to him includes any surplus-value he may receive. The surplus-value which he exacts, therefore, is additional to that exacted by previous employers, and, if it is a deduction from the produce of individual labour, it can only be deducted from that of the labour which he has employed, viz. five women. Unless, therefore, it is contended that the labour-product of each of these five women exceeds £1600 a year, this surplus-value must be admitted to be no deduction from the produce of labour.

The following case is even more decisive. A *vigneron* obtains from his vineyard new wine to the value of £100, constituting the entire return of the year's harvest. He keeps this wine for ten years, at the end of which period, and without any labour having been done to it in the interval, the wine possesses a value of £200. From whose labour has this surplus-value of £100 been deducted? The only labourers who could be victimised are those who were employed in attendance on the vines, plucking grapes, and making the wine. When their labour ceased, its entire produce, inclusive of that of the *vigneron's* own labour, had a value of £100 only. The additional £100 which makes its appearance subsequent to the cessation of their labour, cannot be the product of the latter, and cannot, therefore, be a deduction from the product of their or any other man's labour.[1]

[1] Both examples are a free rendering of those given in *Capital and Interest* by von Böhm-Bawerk.

These two examples will suffice to show the erroneous nature of the Marxian theory of surplus-value on which Socialism is based. A close examination of the phenomenon, moreover, shows that surplus-value is a compound of many elements, some of which are natural consequences of the mental constitution of man and of his physical environment, and not in any sense deducted from the product of individual labour; while others, which constitute such deductions, are the result of limitations placed on the equal freedom of men by legislative enactments which confer special privileges on some. Of these latter, monopoly-tribute or spurious interest has already been dealt with in so far as its origin is concerned. The next few chapters will be devoted to the examination of other component parts of surplus-value, and to that of the influence which each of them exercises upon the earnings of labour.

CHAPTER VIII

LAND AND RENT

THE term "land" possesses a double meaning. In its narrower sense it applies to the superficial area of the dry surface of the earth. In its wider sense it denotes all the matter and energies of nature external to man and unaltered by his activities, for the reason that man, being a land animal, can utilise nature's powers only from the dry surface of the globe. Air, rain, and sunshine, the elements of fertility contained in the soil, and the mineral treasures hidden below the soil; the various manifestations of motion and gravitation, heat and electricity, chemical action and life, become accessible to man from this dry surface alone; and though man has made himself master of the ocean and may soon obtain the mastery over the aerial regions as well, yet from the dry surface of the globe alone can he obtain the materials which enable him to navigate these alien spaces, and to it must he return, from time to time, in order to renew his power of navigating them.

This dry, superficial area, therefore, is the medium through which all nature becomes accessible to man, and as far as his efforts to utilise nature for the satisfaction of his wants are concerned, all nature is included in it. In its wider sense, therefore, the term land covers all the powers of nature which man may use for the satisfaction of his wants; not merely that which gives him foothold and resting-place, but all the matter which he can form into wealth and all the energies which assist him in his efforts. It is the only source of wealth; the passive

factor in its production, without the use of which no wealth can be made and human beings cannot exist; the indispensable condition of life and of production.

The general condition through which any and all the opportunities for making wealth, the treasures of nature, become accessible to man, therefore, is through the use of some part of the dry surface of the earth. There is, however, another condition equally far-reaching in its consequence.

All material existence, and, therefore, all economic activity also is conditioned by space and time. Space and time, however, are concepts, not of things, but of the relation in which things stand to each other. Space is a relation of extension, *i.e.* of the relative position of things which exist simultaneously; time is a relation of succession, *i.e.* of the relative position of things which follow upon each other.

Space, therefore, which has relation to all matter, also relates to wealth, which is matter modified by human exertion, and to this exertion. Every exertion, every form of production, requires space for its accomplishment; space to stand upon; more space to move in, and still more space for the extraction, storage, transformation, and transportation of materials, implements, and products. Occupations differ as to the space necessary for their most efficient conduct, but in every occupation there is a limit to the amount of exertion which, within a given space, will yield the most profitable return. Hence, natural law imposes upon man an extension of his labour in space, and this extension is limited by the area of the dry surface of the globe.

This dry surface, however, the land in the narrower sense of the term, does not everywhere give access to similar opportunities for making wealth. Land differs greatly in the elements of fertility which the soil contains, as well as in climatic conditions. Some areas give access to mineral treasures, while others do not, and even the former vary greatly with regard to the quantity and importance of the mineral deposits underlying them. Some areas, again, contain waterfalls and other opportunities

which facilitate production ; other areas are covered with much coveted timber or luscious grasses, while others, again, are arid, bare, or covered with worthless scrub or rock. The opportunities for making wealth, the gifts of nature to which land gives access, thus vary in infinitesimal gradation from what economically may be regarded as zero, to what bears the utmost potentiality of wealth.

There are, however, still further variations in the productivity of land, *i.e.* in the opportunity which it affords to satisfy wants through exertion, which have frequently been disregarded, though they are of equal importance with those already enumerated. In previous chapters it has been pointed out that exchange not only forms part and parcel of the productive process, but is the necessary condition for the existence of the world-wide co-operative system of production which has raised mankind above the level of savages. As co-operation through exchange supersedes the primitive form of isolated production, the qualities of land which offer facilities for exchanges assume importance and gradually increase in importance. Access to navigable streams, to harbours, lakes, and tide-waters ; proximity to fertile lands, mines, natural routes of trade, and centres of population ; proximity to artificial routes of transportation, as roads, canals, and railways, now confer potentialities of productiveness upon land which it previously did not possess.

These variations bring into prominence a consideration which otherwise would be of far less importance. As between two pieces of land, that one is obviously more productive which, to the same exertion, gives a greater return. It may, however, be, and frequently is the case, that of two pieces of land of equal productivity when a certain amount of exertion is applied to both alike, one will be more productive than the other if the amount of exertion is increased on both of them. To some extent this is true even in agriculture. A sandy soil may give the same or even a smaller return per unit of labour in wheat-growing than an equal area of clayey soil. But if both were used for fruit-growing, which requires a considerably greater application of labour and

capital per acre, the sandy soil might prove far more productive.

This consideration applies with greater force to mineral land. If no more exertion were applied to an acre of mineral land than to one of wheat-land, the return would probably be increased but little, if at all, and might be even less. When, however, a vastly greater amount of exertion in labour and capital is applied to the mine, such land may not only give a greater aggregate return, but may even give a much greater return per unit of exertion applied.

The most important manifestation of this condition, however, arises in our great exchanging centres—the manufacturing and trading cities. If no more labour were expended on an acre of land in the heart of a great city than on an acre of country land used for wheat-growing, the return would scarcely be greater. When, however, suitable and costly buildings are erected on the former, when thousands of workers and large amounts of capital are congregated within these buildings, then the productivity of such land is enormously greater than that of an equal area of country land, not only in the aggregate, but generally also per unit of exertion applied.

So far we have arrived at these conclusions. Land, *i.e.* the dry surface of the globe, differs in its productivity, *i.e.* in the opportunity which it affords for the satisfaction of human wants through exertion: (1) inasmuch as some land yields a greater return than other land to the same exertion; (2) inasmuch as some land yields a greater net return than other land when more exertion is concentrated upon it.

Let us now consider the influence which these facts exert upon the distribution of wealth.

Seeking to satisfy their wants with the least exertion, all men will endeavour to obtain the use of such land as, according to existing knowledge, will yield the greatest return to their exertion. They cannot all be successful in this endeavour, because the extent of the most productive land is limited, and because, in every occupation, there is a limit to the amount of exertion which can be applied most

profitably within a given space. Some men, therefore, must use land of less than the greatest productiveness, other men must use still less productive land, until at last a wide difference in productiveness prevails between the most productive and the least productive land in use. So far, however, as the knowledge of men enables them to determine, the least productive land in use will still be more productive than the most productive land not yet used, for the reason, that all men seek to satisfy their wants with the least exertion. The least productive land in use, *i.e.* the land at the margin of production, must, however, fix the standard of the reward for human exertion, because it is a matter of indifference to any worker, whether he receives all the product of his labour when using land at the margin of production, or whether he receives the same amount when working on land of greater productiveness. If, for instance, the entire product of a man's exertion at the margin is 10s. a week, then, other things being equal, he will be willing to use the same exertion on land yielding 50s. a week, provided he himself receives no less than 10s. a week out of the same. The difference is rent, a payment made for the use of better natural opportunities than are available to all men. Taking from those who use more productive land the excess of its productiveness over that of land at the margin, rent equalises the natural opportunities for making wealth to all men.

On this consideration is based Ricardo's Law of Rent, which runs: "The rent of land is determined by the excess of its productivity over that which the same application can secure from the least productive land in use." In view of the considerations above advanced, it will be seen that the law thus formulated expresses only part of the truth. It excludes from consideration the advantages which arise from the massing of more exertion on suitable land. A true law of rent cannot be so limited, and the importance of extending it may be seen from the erroneous deductions to which this limitation has given rise. Ricardo, Mill, and their successors were in this way led to adopt the Malthusian doctrine, that increase of population,

compelling the use of inferior land, must reduce the average productivity of labour, and therefore must tend to produce misery and starvation. In the absence of any notice of the facts referred to, this was not an unnatural conclusion. When, however, these facts are included in the survey, the opposite result will be seen to arise. For with the increase of population there arises an increase in secondary production and exchanges, and these multiply at a greater ratio than population. Hence, more and more workers can be concentrated on land of the highest productivity, that which is most suitable for manufactures and exchanges, and where the productivity of the average unit of labour is greatest. Not only is the tendency of resorting to inferior land thus checked, but as more additional labour is employed on land of greatest productivity than is employed on land of inferior productivity, the aggregate product of all the labour is increased. Instead of increase of population leading to misery and starvation, it must, *caeteris paribus*, tend to an increase of comfort and plenty.

The distinction previously drawn is therefore of the utmost importance, and this consideration may excuse this digression from the strict line of argument. A law of rent, to be strictly true, must therefore be formulated as follows :—

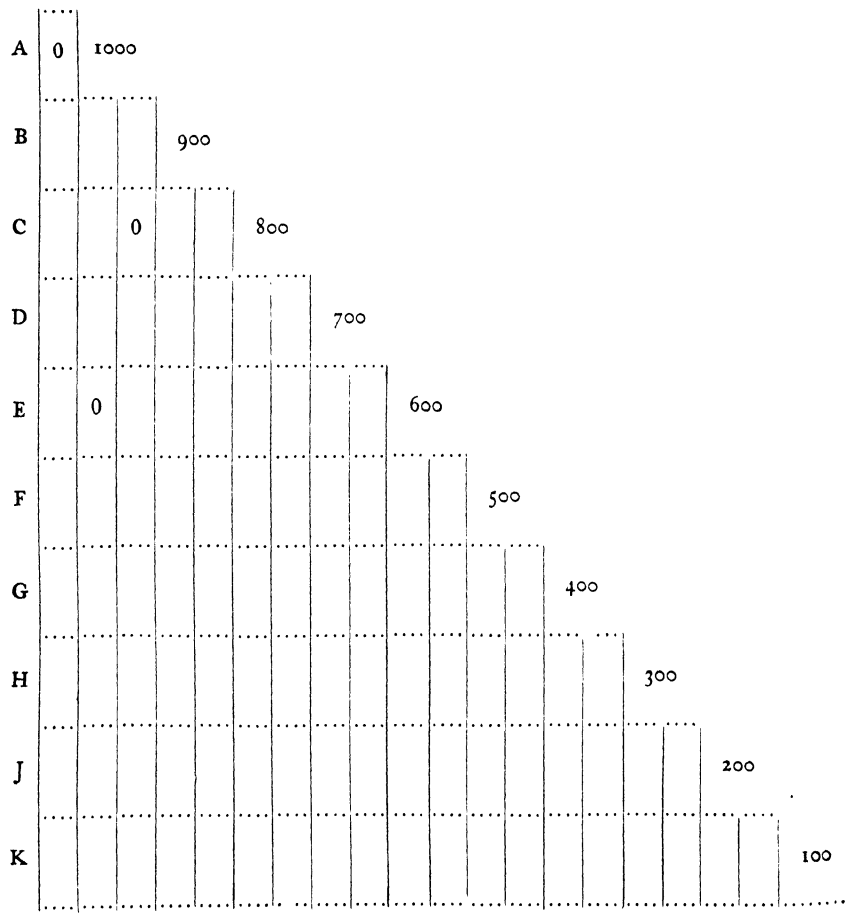
The rent of any piece of land is determined by the excess of its productivity over that of an equal area of the least productive land in use, after the sum of exertions which in both cases yield the most profitable result has been deducted.

So far land and the rent of land has been dealt with under natural conditions—that is, under conditions uninfluenced by men's temporary enactments ; and it will have been seen that rent is a natural result of the extension of men's labour in space, just as interest will be seen to be a natural result of the extension of their labour in time. But, just as when dealing with capital, attention had to be drawn to a mass of spurious capital and spurious interest, the result of mere legal enactments, so attention has now to be drawn to a spurious and additional rent, equally

resulting from mere legal enactment, *i.e.* from the private ownership of land and rent.

In order to make this important point clear, use will be made of the following diagram. The horizontal lines enclose land of the same productivity, while the perpendicular lines divide all the land into equal areas. The assumption, not absolutely true, is that as productivity declines area increases, but this assumption in no way falsifies the argument. The figures 1000 to 100 mark the original productivity of the land :—

DEGREES OF PRODUCTIVITY



As long as social requirements can be satisfied through the use of land A alone, there is no rent. As soon as any portion of land B must be used, rent arises. All of land A now acquires a rental value of 100 units, *i.e.* equal to the excess of its productiveness over what is now the marginal land B. When any of the land C has to be taken into use, B, in its turn, acquires a rental value of 100 units, and the rental value of A is correspondingly increased, viz. to 200 units. The use of any land of lower scale of productiveness gives a rental value to the land in the immediately superior scale, and correspondingly increases the rent of all the land which previously had any rental value. In contradistinction to this general rise of rent, there stands the partial rise of rental value which arises when additional productiveness is discovered in or conferred upon particular land. The discovery of new mineral deposits; the discovery of new methods for increasing the yield, or of treating more profitably, mineral deposits previously known; the discovery of methods, or the invention of machines, which increase the yield of special kinds of land or of their products; changes in trade routes; the rise or increase of trading centres; the extension of railways and other routes of communication and transportation,—all of these as well as other causes increase the value of particular land. In these cases the rental value of such land alone rises, without increasing the rental value of other land. That is to say, where rental value is conferred upon any land through a lowering of the margin of production, all rents rise correspondingly; but where new rental value is caused by advantages discovered in or conferred upon particular land, the rise in rental value is confined to such land.

If it is now assumed that if all the land above line G were fully used, the products of this land would suffice for the requirements of the people, the natural rent would be: For land A, 600 units; for B, 500 units; for C, 400 units; for D, 300 units; for E, 200 units; for F, 100 units; and land G, as well as all the land below it in the scale of productivity, would possess no rental value. If, however, the owners of the land keep any of the land

above line G out of use, say the lots marked o, two consequences follow.

The first is, that in order to satisfy the necessities of the community, some labour must be employed on less productive land, *i.e.* on land between G and H, and that, as a consequence, the produce of the aggregate labour of the community is lessened.

The second is, that out of this lower product of the aggregate labour a largely increased rent-charge must be paid. For some land of 300 units of productiveness being now used, land above G, of 400 units of productiveness, now acquires an annual rental value of 100 units, and the rental value of all the land of superior productiveness is correspondingly increased. In the case illustrated by the diagram the rent received by the owners, if all the land above line G had been fully used, would have been 11,100 units. By keeping out of use the three squares marked o, they increase the actual rent-charge to 14,900 units. This increase, amounting to 3800 units, is a spurious rent, as is also the increased rental value of the land kept out of use.

Moreover, where all the land has passed into private ownership, the self-interest of owners may, and frequently does, induce them to hold so much superior land out of use or full use, that some of the least productive land must be used unless the population declines. As under such conditions land is a complete monopoly, owners do not, as a rule, permit the use of any, even of the most inferior land, without some payment. As some men will now be compelled to use such land in order to live, they will be compelled to pay a rent for it. Natural rent is, under these conditions, superseded by rack-rent, *i.e.* rent at the margin: the least productive land available having no other limit than the smallest reward which labour can be compelled to accept, labour on all other land and in all occupations must accept similarly depressed wages. The rent for all other land, therefore, must rise accordingly, and the body of spurious rent which the workers must pay to the landowners is increased to enormous proportions. All this artificial addition to the natural rent is a

real deduction from the natural reward of individual labour.

Nor is it necessary that much land should be kept out of use in order to produce this result. All that need be done is to devote some considerable areas to inferior uses than those they are best fitted for. To do this may, and frequently does, confer an additional advantage upon the landowners at the expense of the whole community, and still further emphasises the conflict between the interests of the community and those of private landowners. Conditions, largely prevailing in the Australian colonies as well as in other new countries, will serve to illustrate this phase of the subject. In every one of these colonies millions of acres of the richest agricultural land, with ample rainfall and near to markets and ports of shipment, are used for mere grazing purposes. As a consequence most of the farmers were forced to settle on poorer land, further from markets and ports, and where the rainfall is less abundant. Land fit only for grazing is thus used for agriculture, while the land fittest for agriculture is used for grazing only. The latter would, under wheat, have given a gross return of say 35s. per acre, while as grazing land its gross return is only say 15s. per acre. Yet the net return to the owner may be, and frequently is, greater, where the gross return is smaller. For the cost of cultivating the land, *i.e.* wages, seed, implements, horses, etc., may absorb 30s. out of the 35s., while in grazing, where scarcely any labour is employed and all other expenses are small, these would absorb less than 5s. per acre. In the one case, therefore, the net profit would be 5s. out of a gross profit of 35s.; in the other it would be 10s. out of a gross profit of 15s., and, in addition, the trouble of management will be much smaller. The community, however, loses 20s. per acre, the difference in the gross return. For in either case the profit of the community is measured by the gross and not by the net return. The gross return represents new labour-products added to the common stock. Out of this new product the labourers employed in producing the materials and implements used on the land, as well as those directly employed on it,

defray their consumption. When the gross product is 35s., the added wealth is greater by 20s. than when it is 15s., and as long as the additional consumption does not exceed the value of the additional wealth, the permanent wellbeing of the community is increased to that extent. Hence, though the owner gains 5s. by the substitution of the less productive for the more productive process, the community loses 20s. worth of wellbeing. In addition, there is an enormous loss from the reduced productivity of the labour of those farmers who are compelled to cultivate land of less fertility and at greater distance from markets and ports. An even more graphic illustration of this condition is furnished by the wholesale clearances of Scottish and Irish land in order to make room for cattle, sheep, or deer, and the resulting misery of large numbers of the evicted tenants, and of the shopkeepers who supplied their wants.

Still another and far-reaching influence arises from private ownership of land. It has been shown that the natural function of rent is to equalise the natural opportunities available to men. Rent takes from those who use the better natural opportunities the excess of produce due to this advantage and reduces their earnings to that which equal exertion would gain on the least productive land in actual use. As no man can be entitled to the free use of more productive natural opportunities than other men can obtain, no man can be entitled to the surplus of produce, due, not to his greater exertion, but to the use of the more productive opportunity. Rent, *i.e.* natural rent, therefore, is not a deduction from individual labour-results, as many socialists assert. It is a deduction from the results of the labour of society as a whole. Just as no person is entitled to the free use of more productive natural opportunities, so no person can ethically be compelled to the uncompensated use of less productive opportunities. All men are entitled to the free use of average opportunities to labour. Those using opportunities more productive than the average, therefore, are morally bound to compensate those using opportunities of less productiveness than the average. The equalising mission of

rent, therefore, is not finished till it is either divided in equal shares among all those who have contributed to the result of the social labour, or till it is used for purposes from which all of them derive equal benefit. Spurious rent, on the other hand, is, as already stated, a deduction from the result of the individual labour of every worker.

When, however, land is private property, not only the spurious, but the natural rent as well, is appropriated by a few, the owners of land. The equalising tendency of rent still affects all workers, reducing their earnings to what equal skill and exertion can produce, or is allowed to retain, at the margin; but on the owners of land it has the opposite tendency. It concentrates into their hands the rent produced by the aggregate labour of the community, and adds this vast and ever-increasing sum to any earnings which they may derive from their own labour. Without having rendered and without rendering any service in return, they thus become the recipients of the social wealth represented by natural rent, and of the deduction from individual wealth represented by spurious rent. The equalising tendency of rent, therefore, stops short at the land-owning classes; below this line it reduces individual wealth, above this line it increases individual wealth. Instead of a tendency towards equalisation, there is thus introduced a twofold tendency towards differentiation, the results of which, supported by the secondary monopolies previously described, may be seen in the startling contrasts which disfigure our civilisation: on the one hand, multi-millionaires, receiving an amount of wealth vastly exceeding that which their labour contributes to the common stock, and frequently contributing nothing nor rendering any other service; on the other hand, a vast army of proletarians, who receive far less than their labour contributes, divided by a middle class vainly struggling to preserve its independence between these opposing forces.

Private ownership of land, therefore, deprives all workers of their equal share in the product of their common labour, the natural rent of land; it further creates a spurious rent which is a real deduction from the

product of individual labour, and it utterly nullifies the economic and ethical function of natural rent. That which under natural conditions would tend to produce a homogeneous society, strong through the agreement between public and private interests, then produces a society constantly becoming more strictly divided into two opposing classes, and threatened with destruction through the conflict between public and private interests, artificially introduced.

Secondary influences of private ownership of land and of other monopolies on the relation between employers and employed will be discussed in a subsequent chapter.

CHAPTER IX

THE THEORY OF INTEREST

As space is a relation of extension, so time is a relation of succession. Every individual act follows upon or precedes some other act. If the sequence of one act upon another is immediate we speak of their succeeding each other in a short time; if the sequence is remote we speak of long time. All production consists of a series of acts following upon each other, and all production therefore requires more or less time. The production of bread, for instance, requires the successive accomplishments at different intervals of sowing, reaping, grinding, and baking. Similarly the production of a chair requires the felling of a tree, cutting it into boards, planing them, cutting them into the requisite pieces, turning some of these, fitting all the pieces together, and finishing the rough chair. No two of these acts can be performed simultaneously, they all stand in the relation of sequence to each other, and the series therefore requires considerable time in its accomplishment. In like manner every other productive process requires more or less time. It follows that only those productive processes which require little time for their accomplishment can be directed to the satisfaction of present wants, *i.e.* of wants existing at their initiation. By far the greatest number of productive processes, all those requiring more than a short time for their accomplishment, are necessarily directed to the satisfaction of wants which are expected to arise in the future, *i.e.* after the process is completed. Present wants, therefore, are mostly dependent for their satisfaction upon productive

processes which were initiated in the more or less remote past, and the fruits of which are now maturing or have matured, while present labour is mostly directed to the satisfaction of future wants through the production of goods which will become available at such future date. Every increase in the length of productive processes postpones the time when their fruits will be available for the satisfaction of human wants, while, as has been already shown, it increases the number of wants which can be satisfied.

All but the most primitive processes of production, therefore, imply the capacity of men to anticipate future wants and their desire to provide for them. The world-wide, roundabout, or co-operative system of production implies the possession of a high degree of these faculties. These faculties are part of the imaginative process. In order that men may be able to provide for future wants, they must be able to form a mental picture of the state of their future desires, of the quantity and kind of the goods necessary to satisfy these desires, and of the time when these desires will arise and these goods will become available, *i.e.* they must form some present conception of the value of goods which will only become available at a given future date. The only principle on which such goods can be valued is that of their marginal utility under the mutual action of our wants and the provision for these wants as we anticipate them to be at some future date. Apart from the element of risk, our present valuation of future goods is, therefore, made on the same principle as that of present goods, *i.e.* goods available at the present time. As these two sets of goods, however, become available at different times, under different circumstances, and serve different sets of wants, it is inevitable that a different valuation should be placed upon them at the present time. With few and unimportant exceptions this difference shows itself in a higher present value being placed on goods which are available at present than on goods of like quantity and kind which only become available at some future time. This difference in value is the cause of interest, which therefore arises from the extension of man's labour in time.

The following are the main reasons for the higher value of present than of future like goods :—

All persons who expect or hope that they will be better off in the future than in the present, that is the vast majority of men, will naturally value a given quantity of present goods more highly than an equal quantity of like goods in the future. For while their present wants are pressing upon their means to satisfy them they expect a less pressure in the future. The case of musical students who mortgage a great part of their future earnings in order to obtain present tuition is an extreme case in point.

On the other hand, persons who enjoy a good income in the present, but who anticipate that it may fall off or altogether cease in the future, such as employees with fixed salaries which may cease, will value goods becoming available at this future period more highly than goods available at present. This feeling, however, exerts no influence, because present goods can be preserved for use at such future period, especially in the shape of money, and can thus be used either for the satisfaction of present or of such future wants ; whereas goods which do not become available till such future time cannot be used for the satisfaction of present wants. Hence, even in these cases, present goods are valued more highly or, at least, as highly as future goods of like quantity and kind.

This difference in provision for wants between present and future is sufficient to give a higher subjective, and therefore a higher objective, value to present than to future goods. This tendency is, however, increased by other causes.

The first of these is a tendency towards the undervaluation of future wants inherent in all men. That which lies nearest looms largest. Future wants are underestimated because they are distant and in the measure of their distance, and, therefore, the goods which can satisfy none but such future wants are undervalued. This underestimation of future wants differs in different men. Savages and children scarcely take any thought of distant

wants, and among adult civilised men wide differences also appear. Nearly all men, however, give way to it to some extent.

This second cause is cumulative with the first. Not only the persons who expect to be better off in the future than they are in the present, but all, or nearly all, other men make this underestimate of their future wants, and hence the lower valuations placed on future than on present goods is made more intensive and more extensive.

A third and independent cause for the same phenomenon arises from the technical superiority of present over future goods, *i.e.* from the fact that, as a rule, goods which are available now give, when used as instruments for the production of other goods, a greater return than goods which become available in the future for such use.

As already explained, lengthier methods of production are, on the whole, more productive than shorter methods. Given the same quantity of productive instruments and labour, the lengthier the method of production in which they are employed the greater will be the quantity or the better the quality of the resulting product.

Suppose now that we have available in the year 1898 a quantity of productive instruments equivalent to one month's labour. We can employ this one month's labour in methods of production which will give an immediate return, or in such as will give a more or less remote future return through the application of more labour, — with this difference, however, that as we chose a lengthier method, so the future product of this month's labour, as well as that of every other month's labour successively employed in this particular process, will be increased. Let it be supposed that its product in immediate production will be 100 units of wealth; in a one year's process 200 units; in a two years' process 280; in a three years' process 350; in a four years' process 400; in a five years' process 440; in a six years' process 470; and in a seven years' process 490. Any other figures will do as well, as long as the principle is observed that longer processes give greater return, but that the return increases at a less ratio than the length of process.

The following table will show when these units of wealth, the product of one month's labour, will become available :—

Length of Process.	Units of Product.	Time of Availability.
Immediate . . .	100	1898
One year	200	1899
Two years . . .	280	1900
Three years . . .	350	1901
Four years . . .	400	1902
Five years . . .	440	1903
Six years	470	1904
Seven years . . .	490	1905

Suppose now, that in addition to the production-goods equivalent to one month's labour, which are available to-day, we expect an equal quantity of such goods to become available in each of the years 1899, 1900, and 1901, let us see what will be the relative result at any future time of these four separate months of labour when employed in production :—

ONE MONTH'S LABOUR OF THE YEAR

Yield in units of product for the year :	1898.	1899.	1900.	1901.
1898	100	...	...	...
1899	200	100	...	...
1900	280	200	100	...
1901	350	280	200	100
1902	400	350	280	200
1903	440	400	350	280
1904	470	440	400	350
1905	490	470	440	400

The above table clearly shows that present production-goods yield at any given time a greater return than goods of like quantity and kind which become available at a later period.

It is also obvious that the possibility of engaging in lengthier and, therefore, more profitable processes of production arises from the present possession of consumption-goods. If these were not available in sufficient quantities, labour and capital would be compelled to engage in shorter processes, giving forth their products at earlier periods, though in smaller quantities compared with the exertion employed. The increased result of the lengthier processes, therefore, is in this measure due to the possession of consumption-goods available in the present, not because they are capital, but because they enable capital to be used in processes of greater utility. Therefore, present consumption-goods possess the same technical superiority over future consumption-goods which present production-goods possess over future production-goods.

The three causes enumerated for the higher value of goods available in the present than of goods which will become available at any future time, are :—

(1) The difference in the circumstances of provision for wants between present and future.

(2) The underestimate of future wants and of the importance of future goods.

(3) The greater productiveness of lengthier methods of production and consequent technical superiority of present goods.

While the two first causes are cumulative, the third cause acts independently and largely alternatively. To show this in detail here would lead too far ; suffice it to say, that this alternative action gives to the phenomenon of higher valuation of present goods a varying intensity but universal validity. The varying intensity of subjective valuations enables exchanges of present against future goods to take place. Those who place a relatively high value on future goods are buyers of future goods, *i.e.* lenders ; those who place a relatively low value on future goods are sellers of such goods, *i.e.* borrowers. A market price, resulting from their higgling, once established, exerts a reflex action on all subjective valuations, so that even those few who, from their economic circumstances, would value future goods equally with present goods are influ-

enced by the general position of the market, which assures them also a preference for present goods. The same levelling tendencies of the market bring the lower value of future goods into a regular proportion with their remoteness in time, establishing everywhere a rate of interest which is the general measure for the difference between the value of present goods and that of goods which become available at any future time.

Of the three causes, the combined action of which gives rise to interest, one only, the technical superiority of present goods, is invariable in its action. Of the others, the underestimation of future wants declines in intensity and extensity as men become better adapted to the conditions of social life. The third cause, difference in the provision for wants between present and future, also will be less active when a just system of distributing wealth is adopted. For, in such case, the present needs of all will be more easily met, while a great majority will be able and desirous to retire from productive labour at a comparatively early age. Present needs will, therefore, be less pressing and future needs more pressing, leading to a reduction, from both sides, of the difference of valuation of present and future goods.

The causes which have resulted in a decline of the rate of interest in the past, will therefore continue and may be reinforced in the future, leading to a further, permanent, and large decline of the rate of interest. That interest ever will or can disappear entirely, however, does not seem probable, in view of the persistence of the technical superiority of present goods, and of the improbability of the entire disappearance of the two other causes which gave it existence.

In a former chapter[1] it has been shown that the value of productive instruments is determined by the marginal utility (value) of the sum of the consumption-goods which form their ultimate product. This ultimate product, however, is not contemporaneous with the productive instruments; it appears as these disappear in it. Compared with the productive instruments which give it being,

[1] Part II. chap. ii.

the final product is a group of future commodities; of goods which will become available in the future. The present value of this final product, *i.e.* its value measured in present goods, is therefore lower than its future value, and therefore the value of the productive instruments is also lower than the future value of the consumption-goods into which they become embodied. It is equal to the present, and not to the future, value of these future goods.

The capitalist, therefore, buys productive instruments at the present value of the sum of their ultimate products, and waiting till these latter have arrived at maturity, till what is now the future has in its turn become the present, becomes possessed of their higher value. This increment in value is the interest which he receives.

To illustrate this sequence of events, take the case of a capitalist who purchases productive instruments, material, tools, and labour; and in order to simplify the illustration, let us assume that he purchases them all at one and the same time, *i.e.* at the beginning of the productive process. The circumstance that this is not quite true does not affect the principle but only the amount of interest which he will receive. Let it be further assumed, that the sum of the final products of these productive instruments has a total value, when they are available, of 500 units; and, further, that of these total ultimate products, equal parts become available at the end of each of five successive years, and possess at that time a value of 100 units, so that at the end of five years the whole product has been realised and the productive instruments have disappeared.

All these products are future goods at the time the capitalist purchases his productive instruments. Their present value, therefore, *i.e.* their value measured in present consumption-goods, is less than that which they will possess when they in their turn will be available for the satisfaction of human wants, when they will have become present consumption-goods. That part of the total product which will become available at the end of one year, and which then will have a value of 100 units, possesses now a value of say 95 units only; the second part available at the end of two years has a present value

of 90 units; the third year's product equals 85 units; the fourth year's product equals 80 units; and the fifth year's product equals 75 units. The total present value of these consumption-goods, the future product of the group of productive instruments in question, and having a value of 500 units when they become available, is 425 units only. Therefore, the value of these productive instruments is 425 units, equal to the present value of their ultimate product. Our capitalist purchases them at this price, and the interest which he receives arises from the fact that he has purchased with a smaller quantity of mature goods, possessing a present high value, a larger quantity of immature goods, possessing a present low value, and that he waits until this latter in its turn has ripened into high value.

This interest, therefore, is not taken from any one. It arises, as has here been proved, when the capitalist pays full value for all the productive instruments, labour included, *i.e.* when he pays a price for them equal to the value of the sum of their products. It had no existence before; it came into existence in the hands of the capitalist, because he is a capitalist, *i.e.* because he, possessing more goods at present available for the satisfaction of human desires than he himself needs, exchanges them for goods which, in their turn, will be able to satisfy human wants at some future time. As, in the continuous process of production, those future goods gradually approach usefulness, and the more pressing, because more proximate, human wants, their value increases, until at last this utility and value reach their highest point, that of goods which can satisfy the most urgent wants, *i.e.* wants actually existing. Interest, therefore, is not, as Socialism posits, a robbery of labour, but an increment of value which arises from the natural extension of human labour in time and separately from the exertion of labour.

That interest cannot be regarded as part of the product of labour, and that, therefore, it is not a deduction from the legitimate wages of labour, *i.e.* the full product of the labourer's exertions, will, however, be demonstrated still more fully in the next chapter.

CHAPTER X

THE WAGES OF LABOUR

THE foregoing examinations have paved the way for the inquiry, what part of the product of the industry of society rightfully belongs to those who take part in its production, *i.e.* to the producers of wealth of every kind, as producers. Obviously, the most that each producer can obtain individually is the entire product of his labour, and, as will be shown in subsequent chapters, this is also the least that justice demands for him. The only question which concerns us here is what constitutes the produce of individual labour.

Man as such, whether isolated or in co-operation with others, produces nothing. All wealth is the joint product of labour and land. As already demonstrated, the extension of man's labour in space, which natural conditions impose upon him, and the variations in the productivity of land, produce the widest divergence between the natural conditions under which labour is exercised. Inevitably, the opportunity which some use is better or worse than that which others can use, and ultimately the differences become of enormous importance.

As a consequence, the same unit of skill and exertion will produce many times the amount of wealth from one piece of land than when put forth upon some other piece of land. The excess is not due to any labour; it arises from the greater bounty of nature. To whom then does it belong? To the man who by accident labours upon the more productive land? Or to the owner who, by purchase, inheritance, or fraud, got hold of it? Or does

it not rather belong to the society, the whole body of men, as a common fund to provide for their common needs? Nature owes to all men an opportunity to maintain their lives by labour. But no man can possess a natural right to the use of a better natural opportunity than others can obtain. Hence, that part of wealth which arises from the use of a better natural opportunity than the least productive which must be used, *i.e.* the natural rent of land, must be deducted from the reward of individual labour, as being, ethically and economically, no part of the product of such labour, and must be put into a common fund, of which every member of society is entitled to an equal share.

In natural rent, therefore, we found one deduction which must be made from what might, superficially, be regarded as the product of individual labour. Just as this deduction becomes necessary owing to the extension of man's labour in space, so another deduction must be made on account of the extension of his labour in time. As was shown in the last chapter, interest, that is natural interest, arises from the greater value possessed by goods available in the present, than that possessed by an equal quantity of the same kind of goods which only become available in the future. It remains to apply this condition to the wages of labour, separately from that already made with regard to all productive instruments. Suppose a ploughman has given a week's labour in ploughing a field, which eight months hence will yield 800 bushels of wheat. Suppose, likewise, that this one week's labour is exactly one-hundredth part of all the labour required to produce the wheat at the flour-mill, where it is worth 4s. per bushel. The ultimate value of the product of the ploughman's labour in that case is $800 \times 4s. = 3200s.$ divided by $100 = 32s.$ To this value he is manifestly entitled at the time when the wheat, the produce of the joint-labour of himself and others, is available, *i.e.* at the end of eight months. If there were no employer, he could not justly receive more than this amount, nor could he receive it earlier. But can he be entitled to this amount at the end of the week, when his labour ceased? Obviously not, for the

product of his labour and that of others, the 800 bushels of wheat, had a smaller value at the end of the week's ploughing than eight months afterwards, when it became available, and his share, therefore, also had a smaller value at the earlier time. Hence, though the ploughman is entitled to a wage of 32s. at the end of eight months, he cannot be entitled to 32s. now, as, in that case, he would receive more than the present value of what his labour produces. If he will wait till the product of his labour is matured, he is entitled to its then full value ; if he wants to reap now the reward of his labour, when its product is as yet immature, he cannot be entitled to more than its present value.

If, instead of working for wages, the ploughman is an independent farmer, he cannot obtain the product of his labour at the end of the week's ploughing, but is compelled to wait for it for eight months, till the harvest is gathered. The ploughman cannot be entitled to better conditions and a greater return to his labour, because he works for an employer, than he could obtain if he were working on his own account under exactly like circumstances.

Suppose, then, that the general valuation of the community places 3000s. available now at exactly the same value as 3200s. available eight months hence. In that case the value of the harvest was 3000s. at the time when the ploughing was ended, and as this ploughing constitutes one-hundredth part of all the labour which produced the harvest, the ploughman would be entitled to the one-hundredth part of 3000s., *i.e.* he would be entitled to 30s., that being the then value of the ultimate product of his labour. The difference between 30s. and 32s.—between the present and the ultimate value of the product of the ploughman's labour—obviously belongs to him who purchases this immature product of labour with mature products, *i.e.* the employer who pays wages.

The importance of the subject under discussion may justify, even at the risk of tediousness, the use of a further illustration which applies the same considerations to manufactures in a more detailed manner. Taken from

Böhm-Bawerk's *Capital and Interest*, it has been largely modified.

Suppose an engine to be constructed from the ore upwards by one workman, working continuously for five years, and that, when completed, the engine possesses a value of £550. Let it also be assumed that the labour of each year produces a result exactly equal to a fifth part of the engine. Nevertheless, the workman could not be entitled to one-fifth part of the value of the completed engine, £110, at the end of the first year, for the reason, that an engine ready for use now has a greater value than one exactly similar, but which will not be ready for use till four years hence. If it is assumed that the general preference for goods available now, over similar goods available at some future time, is equal to 5 per cent per annum,[1] the workman is entitled at the end of each year to no more than £100. The proof of this statement is found in the fact, that when paid at this rate, the workman receives in the course of five years exactly the same value as if he waited for payment till his engine was completed.

For between the end of his first year's labour and the date of completion of the engine, there intervenes a period of four years; between the end of the second year's labour and completion the interval is three years; between that of the third year's labour and completion it is two years; and for the fourth year's labour it is one year; while the end of the last year's labour and the date of completion of the engine coincide. At the assumed rate of preference, £100 received by the workman at the end of the first year, therefore, exceeds the value of £100 to be received by him at the end of the fifth year by $4 \times £5 = £20$, and a corresponding excess of value adheres to each of the sums of £100 which he receives at the end of the intervening years. Paid £100 at the end of each year, the value of all five payments at the date of completion of the engine would be £550, *i.e.* exactly the same amount which he would have received if he had waited till the engine was completed and its full value belonged to him; as under :—

[1] For the sake of simplicity compound interest has been eliminated.

£100 at 5% for 4 years . . .	= £120
100 „ 5% „ 3 „ . . .	= 115
100 „ 5% „ 2 „ . . .	= 110
100 „ 5% „ 1 „ . . .	= 105
100 at completion . . .	= 100
Total	£550

It is clear, therefore, that the same increment which the workman would receive from the growth of the engine towards completion, he will also receive when he is paid £100 at the end of each year, through the excess of value which four of these sums possess at the time of payment over four-fifths of the then value of the future engine. If at the end of each year he were to receive £110, the fifth part of the value of the completed engine, he would receive more than the value of the completed engine by £55, as under :—

£110 at 5% for 4 years . .	= £132 0 0
110 „ 5% „ 3 „ . .	= 126 10 0
110 „ 5% „ 2 „ . .	= 121 0 0
110 „ 5% „ 1 „ . .	= 115 10 0
110 on completion . .	= 110 0 0
Total	£605 0 0

If it is objected that the workman probably lacks the means which would enable him to invest these several sums so as to reap the interest, and that he wants annual payments so as to be able to live, the answer is :—

The needs of the workman for present sustenance do not lead him to place a lower than the general valuation upon present as compared with future goods. He, like every one else, values present goods at a higher rate than future goods. A sum of £100 now is, therefore, in his own estimation, as well as in every one else's estimation, worth £120 as compared with a sum of £100 four years hence. In receiving £100 now, he, therefore, receives a value of £20 more than if he waited for four years, whether he invests that sum or not.

Moreover, the fact that he wants £100 for present

consumption, while his labour has not yet produced a consumable equivalent, cannot entitle him to receive, and cannot oblige any one to pay him, more than the total value of the engine when completed. Yet, as has been shown, were the employer or other purchaser of the engine to give more than £100 at the end of each year, he would pay, and the workman would receive, more for the engine than the one would have to pay and the other would receive if payment were deferred till the date of completion. As no one can claim that more than the full value of the engine shall be paid when the payment is deferred, it cannot be claimed that more than its full value shall be paid when the payment is made in instalments.

Suppose now that, if instead of one workman working for five years, five workmen, each working for one year by himself, were employed successively in the production of this engine, and that each of them produces exactly one-fifth part of the engine. In that case an injustice would be done to the first and second labourer, and an undue preference would be shown to the fourth and fifth labourer, if the value of the engine were divided equally amongst them at the end of the fifth year, each receiving £110. For the former would have completed their task four and three years respectively before they received payment, while the last worker received his immediately on completion of his work. A fair division of the product of their joint labour must take this difference of time into account. At the assumed rate of preference the division, therefore, ought to be :—

First labourer	. . . .	£120
Second „	. . . .	115
Third „	. . . .	110
Fourth „	. . . .	105
Fifth „	. . . .	100
	Total	£550

On the other hand, it is impossible for each of these labourers to get £110 immediately his task is done. For, as has already been shown, the total payment made for the

engine would in that case be £605, or £55 more than its assumed value.

Let us, however, introduce a capitalist who will pay for the engine in yearly instalments, and who is anxious to pay its full value and to treat all the workmen equally. Seeing that a just scale of division between the workmen, in his absence, will yield to the last workman £100 on completion of his share of the work, the capitalist will treat him with absolute fairness by paying him this amount. Inasmuch, however, as the other workmen have contributed no more skill and exertion to the completed engine than this one, they cannot be entitled to a larger payment for the result of their labour on the completion of their task than the last workman is entitled to on the completion of his task. Therefore, each of the other workmen is also entitled to no more and no less than £100 at the end of his task. In this way not only equality of treatment for each, but absolute fairness to all is preserved. For inasmuch as the several payments are made at different periods before the completion of the engine, each payment of £100 stands in a different relation of value to that of the completed engine, and represents, at the completion of the engine, the same value which would have accrued to each workman from a just division if no employer had interfered; as under. Beginning this time with the last labourer, we find :—

Labourer 5 = £100	. . .	= £100
„ 4 = 100 at 5% for 1 year	.	= 105
„ 3 = 100 „ 5% „ 2 years	.	= 110
„ 2 = 100 „ 5% „ 3 „	.	= 115
„ 1 = 100 „ 5% „ 4 „	.	= 120
	Total	£550

The capitalist, by paying to each labourer £100, therefore, takes nothing from any one of them to which he is entitled. What the former gains is the increment in value which accrues to the engine in its growth towards maturity, and which would have been gained by some only of the labourers, not as labourers, but as capitalists, had they been capitalists as well. The capitalist is entitled to this

increment because he exchanges goods of present utility for something which will acquire utility at some future date.

This function of the employer—the fact that, apart from organising and directing labour, he is a lender; that, as such, he purchases from the labourers employed by him as well as from those who produced the implements and materials used by the former, a greater quantity of goods of present low value with a smaller quantity of goods of present high value—is generally overlooked. Yet it is this function which entitles him to receive interest. With goods capable of satisfying present wants, he purchases goods which can only satisfy future wants, through the application of more labour. He waits till the product of labour ripens into full value, and in the meantime gives to labour, under natural conditions, the full present value of its product, in goods which have already ripened into usefulness. As labour in the present cannot be entitled to more than the present value of its product—to more than it can obtain in the absence of any employer—natural interest is no deduction from the legitimate wages of labour, because it forms no part of the product of labour.

What, then, are the factors which, under the existing co-operative system of production, regulate the individual wages of labour under these just conditions, when, monopolies being abolished, natural rent goes to the community, and natural interest to the owner of capital. In Part II. chapter iii. it has been shown that lengthier processes of production yield increased returns. Against this advantage must be placed the disadvantage of increased interest-charge. The advantage may be equal or greater than the disadvantage, but it is reasonable to suppose that if it were less, the lengthier process would not be adopted. Take now a tradesman who is in a position either to enter upon a four years' process by himself or on a two years' process if he engages another workman to assist him. Let the product of their joint labour possess a value of £416 at the end of the two years' process, or equal to an average wage of 40s. per man and week, while that available at the end of the four years' process by one man is £520, or an average of 50s. per week. If the employer

now pay to the workmen, on the termination of the two years' process, one-half of the product of their joint labour, each of these two workers will receive £208.

If, however, this tradesman works by himself in a four years' process, he will, at its termination, become possessed of £520, which divided by two would be equal to £260 at the end of a two years' process. For each of these two periods of two years the employer would thus receive £52 more than if he had engaged an assistant and had paid him the full product of his labour. It, therefore, would be more to his advantage to work by himself on the longer process, and this, therefore, he would undoubtedly do, unless some worker were willing to accept as much less than the full product of his labour as would yield the same advantage to the employer.

This example shows that, even under absolutely just and natural conditions, employers can secure for themselves not only interest, but also all the advantages which result from the extension of processes. The power to do the latter, however, does not, under such natural conditions, come to the employer as an employer, but as a workman, for, as will have been seen, it arises from his ability to employ all his capital by his own labour. The capitalist-employer cannot so employ his capital. In the absence of monopolies he cannot obtain any income from the bulk of his capital unless it is employed productively by other men's labour. This fact profoundly influences the relation between capitalist-employers and labour under natural conditions. For under such natural conditions, land being free, large numbers of labourers could employ themselves if the conditions of capitalist-employment did not suit them. They, therefore, would not agree to enter the service of an employer unless they could earn at least as much as if they employed themselves.

Suppose, then, that a good proportion of workmen possess sufficient means to employ their own labour in a two years' process, yielding at the end of that period an average return of 40s. a week; that more labourers possess enough for one year's process, yielding on its completion 25s. a week; while the remaining workers can only

employ themselves in shorter processes, yielding say 12s. 6d. a week, or cannot employ themselves at all. Suppose also that capitalist processes vary in length, but average six years, yielding an ultimate product averaging 55s. per week and workman. What would be the rate of wages under these conditions?

The employers, unable to obtain sufficient labour otherwise, would be compelled to induce some of those who can independently earn an ultimate wage of 40s. per week to enter their employment. These men, however, could not be induced to do so, unless at least the equivalent of that amount were assured to them. The lowest rate which they could be induced to accept would, therefore, be, say 38s. 6d., payable at the end of each week, this being equal to 40s. a week payable at the end of two years. This is the minimum which they will accept. Inasmuch, however, as all other workmen, who are earning less than these, are also required by the employers, all these would and could insist upon receiving the same rate of wages, and this rate, therefore, would be the minimum rate for all workmen.

On the other hand, the maximum rate which employers could pay would be 48s. 6d. payable weekly, as, this being the equivalent of an average of 55s. per week available at the end of six years, they would otherwise pay more for labour-products than their value at the end of each week. Hence the average wages of labour under these conditions could not fall below 38s. 6d. per week, and could not rise above 48s. 6d. per week. Within these limits they would be determined by the pressure of the stronger party, and that party is labour. For labourers could employ themselves, while capitalists cannot themselves employ their capital. If no agreement were arrived at, labourers could earn an independent income, but capitalists could obtain no income from their capital. Hence wages must rise to the maximum 48s. 6d., and every extension of processes, every invention and every discovery, would enable labour to enforce a further increase in its wages, absorbing all the advantages of industrial progress and of a declining rate of interest.

What has here been demonstrated is :—

1. That natural rent and natural interest are not deductions from the produce of individual labour or from the wages due to the individual labourer.

2. That under natural conditions, *i.e.* when State-created monopolies are abolished, every labourer would be assured of receiving from the capitalist-employer, as his wages, the full product of his individual labour, and that, in addition, he would possess an equal share with all others in the produce of the common labour, the natural rent of land.

When, however, the natural conditions, here presupposed, are superseded by artificial conditions based on private ownership of land, the position of labour is profoundly altered.

The warping of the moral sense of the community and the obscuration of true economic principles which arise from the existence and toleration of the all-pervading monopoly in land, give origin to other and secondary monopolies. Some of these are merely land-monopolies in disguise, such as franchises which allow the exclusive or privileged use of city streets for industrial purposes, or which give exclusive rights-of-way, as in railways. Others, like protective monopolies and the resulting rings and trusts, are not connected directly with land-monopoly, but could never have been established if the economic knowledge of the people had not been obscured by its existence. Many secondary monopolies, therefore, are part and parcel of the monopoly of land, and all others are indirectly promoted by it. Every monopoly exacts tribute from the workers of the community in the shape of spurious rent or spurious interest, which they pay either in their capacity of producers or in that of consumers, or in both these capacities.

Before entering upon the detailed demonstration of the evil consequences of monopolies, it may not be useless to point out, that it is a matter of indifference to labourers in which of these ways their wages are curtailed. Whether money-wages fall from 40s. to 30s. a week, *i.e.* 25 per cent, or whether the price of all the things which

the labourers buy with their wages experience an average rise to the same extent, has exactly the same consequences for them. Similarly, a fall in prices has the same influence on their wellbeing as an equivalent rise in wages. For the real wages of labour do not consist of the stamped and lettered pieces of metal or paper which the labourer receives at the end of a week, a fortnight, or a month. They consist of the sum of goods and services which his wages can procure for him. Real wages, therefore, increase, and increase largely without any rise in money-wages, if prices fall; and, similarly, real wages fall, without any reduction of money-wages, if prices rise. All monopoly-prices, therefore, involve a real reduction of wages.

Similarly, the social possession of natural rent may enormously benefit the workers, apart from any consequent rise of wages, if its use for social purposes relieves them of existing taxation on the goods which they buy, and brings within their reach satisfactions which they do not now enjoy.

In Part II. chapter viii. it has been shown that private ownership of land affects labour directly in three ways:—

1. By absorbing their equal share in the social wealth represented by natural rent, and thus compelling taxation which directly reduces wages by increasing the prices of the necessaries and comforts of life.

2. That, by lowering the margin of production, it lowers the aggregate labour-result of the community.

3. That this artificial lowering of the margin of production produces a spurious rent, which constitutes a direct deduction from the wages of individual labour.

Far-reaching as these direct influences of land-monopoly are, they are rivalled in importance by its indirect influence. Under natural conditions, when the land is not monopolised, labourers can employ themselves. As has already been shown, the advantage in bargaining with the capitalist-employer then rests with the labourers.

The importance of this factor is fully illustrated in new countries. In such countries capital is scarce, transport difficult, and owing to scarcity of population, the division of labour incomplete. The produce of labour,

therefore, is on the average far less per labourer in new countries than in older countries. Nevertheless the wages of labour are on an average higher, and generally much higher. The reason is, that the low price of land and the easy conditions on which it can be obtained, enable so large a proportion of the existing labour-force to dispense with employers and to produce on their own account, that capitalist-employers must bid high for labour.

Where, however, all the land, or all the more productive land, has passed into private ownership, there may be any amount of unused or only partly used land, yet labour cannot obtain any of it except on conditions with which but few labourers can comply. Hence their power of employing themselves is gone, they are placed at the mercy of employers, and must accept lower wages than they otherwise would consent to. Not only the landlord is now cutting into the legitimate wages of labour, not only is interest unnecessarily high, but the privileged employer also is able to appropriate part of the legitimate wages of labour. The latter now frequently gets more than legitimate interest. Apart from any legal monopoly which he may possess, and in addition to the legitimate wages of superintendence, he now frequently obtains a further increment.

This increment, which we may term profit, is itself of a composite nature. It consists partly of exceptionally high wages of superintendence, arising from partial monopoly of the opportunities for acquiring the necessary qualifications; partly of the advantages which arise from discoveries and inventions equally applicable to all land; partly of the advantages which arise from the fact, that rent, advancing through competition, frequently lags behind the progress in arts and sciences when the latter is continuous. Where this is the case, some of the advantages even of discoveries and inventions which are applicable to particular land alone and which have been generally adopted, remain for a time with the undertakers. All these would go to labour were labour independent; they go to the employing capitalist when the labourer's independence has been destroyed.

Other monopolies, exercising their wage-lowering influence upon labour directly in its capacity of consumer, do so indirectly in labour's capacity of producer as well. They enable the owners of the monopolies to raise the price of the goods which they sell or of the services which they render, over and above what these prices would be under competitive conditions. The workers, paying these higher prices, thus lose part of their wages. A given amount of money-wages now buys less of services and goods. But inasmuch as the vast majority of purchasers (consumers) are workers for wages, this reduction in the purchasing power of wages involves a large reduction in production as well. Goods which cannot be consumed, will not, in the long run, be produced. Therefore employment is largely curtailed, the already one-sided competition of labourers for employment is increased, labour is placed at a further disadvantage with regard to employers, and a further fall in the rate of wages must ensue as an indirect consequence of the rise in prices which monopoly enforces.

Thus, whether labour is deprived of its natural wages by a lowering of money-wages through the influence of land-monopoly, or whether the deduction arises from an increase of prices through the action of other monopolies, the result is the same. In either case the vast majority of the people are compelled to consume less than they produce, and, unless an equivalent increase of consumption takes place amongst the appropriating classes, an army of unemployed men, an increase of the competition between labourers for permission to work, a still further fall in wages, and a general lowering of the condition of the masses of the people is the inevitable result.

The counteracting tendency above alluded to, the equivalent increase in the consumption of the rich, however, fails to arise. Primarily, the wealth which any man obtains consists in goods, the produce of labour. This holds good of millionaires and proletarians alike. The tribute which a monopolist exacts from labour consists of goods made by these labourers and of nothing else. If the owners of these tribute-rights were willing and able

themselves to consume the goods which they take from labourers, the evils of monopoly would be much reduced. It would still involve the injustice that the makers of wealth are deprived of a large part of this wealth, but the consequences of this injustice would be far less disastrous. Unfortunately, however, the monopoly-owners will or can consume these goods only to a limited extent. The less wealthy among them want to become more wealthy, and the wealthier ones are animated by the same impulse, though they cannot possibly consume the whole of their incomes. Both these sections, therefore, save a considerable part of their incomes, *i.e.* of the goods which they claim from labour. There are, however, only two ways in which wealth can be saved to a large extent and for any length of time. One is, by the multiplication of factories, railways, steamships, and other forms of production-goods. Much of the wealth so saved is wasted, but the larger part of it is usefully employed in extending the roundabout process of production and consequently increasing the product of labour. But this increase in the product of labour is not accompanied by an adequate increase in the consumptive power of labour, *i.e.* the wages of the additional labourers employed still fall short, and far short, of the value of the additional goods produced, and, hence, there is an increase in the under-consumption previously existing.

The only other way in which wealth can be saved to its owners is through the creation of new monopolies or the extension of existing ones. Here there is either no additional production—as when rent rises through lowering the margin of production—or a comparatively small increase only. But there arises from this process a further contraction of the consumptive power of labour. For every such creation or extension of monopoly increases the tribute which labour must pay to its owners, and, therefore, reduces the wealth which it otherwise could retain for its own consumption. Hence there must arise, here also, an increase in the previously existing under-consumption of goods.

It follows that periods must arise, from time to time,

when a further saving of goods becomes impossible, *i.e.* when no additional capital can, for the time being, be employed profitably in industry, and when, for the time being, no more monopolies can be created. What becomes then of the vast amount of goods which the appropriators will neither consume themselves nor permit labour to consume? They cannot be destroyed or in any other way got rid of at once. Therefore their existence clogs the wheels of industry; further production must be curtailed till they are consumed gradually. This is what is called a commercial crisis: factories and workshops close; labourers must starve or live upon the scanty doles of charity; traders and manufacturers must go through the Bankruptcy Court, until the gradual diminution of this accumulation of goods once more allows the wheels of industry to revolve and labour to be employed.

It is not here asserted that this under-consumption is the only possible reason for commercial and industrial crises. There have been crises which owed their origin to the fact that more capital than could be spared for the purpose had been invested in processes of long duration, to the neglect of the more immediate wants of the community. But such crises have been rare. The vast majority of these disturbances are due to the cause here described, and they are becoming more and more frequent. Nor can it be otherwise. Every such crisis, in weeding out weaker competitors, favours the concentration of wealth in fewer and ever fewer hands. Every such increase of concentration adds to the amount of wealth that will be saved unnecessarily, by reducing the draft upon this wealth through the consumption of its possessors and their contribution to the revenue of the State, and must consequently hasten the advent of the next crisis.

These convulsions, however, merely mark the culmination of forces constantly at work, just as earthquakes or volcanic eruptions are the result of seismic forces constantly active. For even during the interval between two crises, even during those periods of feverish industrial activity which now and then arise, much capital and many labourers remain unemployed. The tendency towards under-con-

sumption once established, imposes caution upon the employers of labour. Only the more active and reliable labourers are employed at any time, and every crisis adds to the number of those no longer in the race. Simultaneously a number of workers are employed for part of the working time only, and the increasing difficulty of finding profitable investment for savings adds to the number of both classes even in times of comparative prosperity.

This, then, is the sequence of events. The creation of legal monopoly-rights concentrates wealth in the hands of a comparatively small class through the tribute which these rights enable them to impose upon the wealth-makers; the consequent reduction in the consumptive power of the majority of the people is not compensated for by either the consumption or the savings of the appropriating classes; hence arises under-consumption, scarcity of employment, the rise of an ever-increasing unemployed class, and those recurring industrial convulsions which we term commercial crises. To the creation of legal privileges, especially to the privilege of private ownership of the only source of wealth, the land upon and from which all men must live, must, therefore, be traced the industrial and social injustice which disfigures our civilisation, and not, as Socialism posits, to the private ownership of real capital and the private conduct of non-privileged industries.

CHAPTER XI

THE COMPONENT PARTS OF SURPLUS-VALUE

THE foregoing examinations prove, that surplus-value is not a homogeneous body, as Socialism posits, but a compound of several elements, differing widely in character, viz. :—

Natural Rent, the result of the extension of labour in space.

Natural Interest, the result of the extension of labour in time.

Spurious Rent, arising from the creation by the State of private ownership in land.

Spurious Interest, arising from the creation by the State of other monopoly-rights.

Profit, a secondary result, arising from the creation by the State of land and other monopolies.

In their origin, these five integral parts of surplus-value fall thus into two categories, viz. those arising from natural law, and those arising from the corporate action of human society. In their influence upon society and the distribution of wealth, however, they fall into three classes, viz. :—

Natural Rent, as being no part of the product of individual labour, and, therefore, forming no deduction from individual wages, but being part of the common labour and wages of the whole community.

Natural Interest, as being no part of either individual labour or of that of the community as a whole, but a natural increment which the capitalist acquires only in so far as he renders services by exchanging goods of present

high utility for goods which will acquire such utility at a future date.

Spurious Rent, Spurious Interest, and Profit, being part of the product of individual labour and deducted from the wages of labour without any service being rendered in return.

Arising from natural law, natural rent and natural interest never can become the property of individual labourers as labourers. Natural rent must always go to the owner of land, and natural interest to the owners of capital. No action which human societies may take can alter the immutable laws of nature. All that human enactments can do, is to change the ownership of land and capital, so that rent and interest may be reaped by the new owner or owners. When, therefore, Socialists demand the abolition of rent and interest, they demand an impossibility. The adoption of their industrial programme to its fullest extent, the ownership of all land and capital and the conduct of all industrial operations by the State, would utterly fail to abolish rent and interest; all it could do would be to change the incidence of ownership in rent and interest.

The rent of all agricultural and mineral land, as well as that of factory sites, would pass into the hands of the State by virtue of their being used as well as owned by the State; but unless the State continued to charge rent for the more desirable residential areas, such rent would still be received by those private persons who were permitted to use them, in the advantage which they would enjoy over others.

Interest would similarly continue to arise, and if the State did not itself absorb it in some way for the equal benefit of all—which will be shown to be impossible—it would pass into the hands of some of the people only, those engaged in the primary stages of every productive process. Moreover, while the latter method would eventually result in a reduction of the wealth which could be distributed to and consumed by the mass of the people, the former, the charging of interest by the State, even if it could be done, would not necessarily lead to any increase of wealth available for the consumption of the whole people. For with

growth of population arises the necessity for a continuous increase in the amount of capital. This increase is at present provided mainly out of that part of the annual product of industry which constitutes surplus-value. If the State becomes the only capitalist, the annual increase of capital will have to be provided for out of the annual product of industry just the same, and may, not unlikely, be equal to the sum of natural interest now going to the owners of private capital. Even, therefore, if the total product of the national industry were not diminished by the substitution of State officials for private organisers of industry, the deduction of new capital from this product would leave no more, or little more, available for general consumption in the most favourable but impossible case, the reaping of interest by the State. When, however, the State leaves interest in the hands of some of the people, and at the same time prevents them from using it as capital, which under Socialism is the only alternative, the deduction of a further amount from the product of industry for providing the necessary new capital must by so much reduce the amount of wealth available for distribution and consumption, and must, therefore, largely reduce the well-being of all labourers engaged in the final processes of production.

It has been shown that the landowner, receiving rent for the use of opportunities which are available without his existence, and to the creation of which he has either not contributed at all or only as much, when a labourer, as every other labourer, has not rendered and does not render any service for the wealth which he is allowed to appropriate. On the other hand, it has been made equally clear that the capitalist, as capitalist, and apart from any services which he may render in the actual organisation of industry, receives natural interest for services which he renders, and which are of the utmost importance. In subsequent chapters it will be shown that such service cannot be rendered by State officials with similar efficiency, if at all. Apart from this question, however, seeing that such services are rendered, the enjoyment of the reward by those who render them fundamentally differentiates natural

interest from natural rent. The possession of the latter by private persons, its withdrawal from the common possession of the social body as a whole, constitutes a series of ever-recurring and increasing acts of injustice to the mass of the people. The enjoyment of natural interest by private persons withdraws it from no one who has any title to it, and therefore inflicts no injustice.

Moreover, while it has been shown that the private possession of capital and interest inflicts no injury on the social body, it has been equally shown that the private ownership of land and the private possession of rent, as well as that of other monopoly rights and tributes, does inflict such further injury by the augmentation of surplus-value through deductions from the wages of individual labourers, viz. Spurious Rent, Spurious Interest, and Profit. All these have been shown to arise, not from private ownership of capital and the private conduct of non-privileged industries, but from the creation by the State of private ownership in land and other monopoly-rights; and, further, it has been shown that, while rent increases with the progress of society, the rate of interest declines as social conditions are improved.

For all these reasons a sharp distinction must be drawn between these two kinds of property, their social influence and ethical validity. While private property in one is wholly justified, not injurious, and may be of incalculable value to the wellbeing of society, private property in the other is wholly unjustifiable, injurious in itself, and productive of vast secondary injuries. On economic grounds, those mainly considered in the foregoing examinations, therefore, the appropriation by the State of rent—which, as will be shown, carries with it the abolition of private ownership of land, but not that of its private possession and use—and of those industries which cannot be carried on by private persons without the grant of special privileges by the State, as well as the abolition of all other monopoly-rights, is urgently called for by the vital interests of society; while, on the same ground, the appropriation of capital and interest by the State, and the State conduct of non-privileged industries, is wholly indefensible.

PART III

ETHICS

CHAPTER I

THE DENIAL OF NATURAL RIGHTS

THE fundamental ethical conceptions of Socialism we found to be as follows:[1]—

The denial of abstract or natural rights of individual members of the State, and the consequential assertion that all individual rights are granted by the State, which may, therefore, alter or cancel existing rights or grant new rights; the sole consideration which ought to guide the State in dealing with rights of individuals, being, "the balance of social advantages."

The first and second of these propositions are clear cut and need no further elucidation. It is, however, different with the third proposition, for it is by no means clear what is meant by "the balance of social advantages," or how that balance is to be ascertained.

There can be no doubt as to the body to be entrusted with the determination of the direction in which the balance of social advantages lies. Socialism confides this duty to the majority of adult individuals, for majority-rule is one of its fundamental tenets. Nor is there any doubt as to the manner in which the majority is to arrive at its decision. The existence of natural rights being denied, no general principle for the guidance of the majority is available, nor can there be any limit to its action. The question whether a particular measure, say the legalisation of infanticide, will produce greater social advantages than disadvantages, can, therefore, be decided in no other way than by the process of estimating the

[1] See Part I. chap. iv.

advantages or disadvantages, proximate and remote, which may result from this particular act. If a majority, having thus empirically investigated the question, has formed a favourable opinion of the measure, it ought to be adopted. The question of right or wrong cannot arise. For inasmuch as natural rights, such as the right of infants to life, are denied, that only is right which the majority for the time being has empirically adjudged to be socially advantageous; and wrong is only that which the majority for the time being considers to be socially disadvantageous.

Coming now to the meaning of the proposition itself, two ideas are obviously contained in it. One is, that measures may be partly advantageous and partly disadvantageous to society, and that they ought to be adopted if the foreseen advantages exceed the foreseen disadvantages. The other is, that a majority of the people can empirically determine all the sequences, proximate and remote, of the enforced application of any proposal.

The question still remains in what direction lies the advantage of society. Society itself is not a sentient being, capable of feeling pleasure and pain. Sentiency, the feelings of pleasure and pain, is confined to its constituent parts, the sentient beings which compose it, individual human beings. Hence, the welfare of society, considered apart from that of the units which compose it, is not an end to be sought. Society exists for the benefit of its members, not the members for the benefit of society. Society as such, therefore, can have no claims, except in so far as they embody the claims of the component members of society; social advantage or disadvantage has no meaning except in so far as the advantage or disadvantage of its members, present and future, is concerned.

The real meaning of the term, therefore, is, either that the majority must guide each of its acts empirically in the direction of securing advantages to the majority, even if it thereby inflicts disadvantages on the minority; or in the direction of securing to all greater advantages than disadvantages.

One more question, however, remains to be solved,

viz. in what direction is the advantage or disadvantage of the individuals constituting society to be sought? Is it in the direction of increasing the sum of misery; or is it in maintaining a state of indifference by an exact balance of misery and happiness; or is it in increasing the sum of happiness, that social advantage is to be sought? No injustice will be done to socialists if it is concluded that they consider social advantage to lie in increasing the sum of happiness existing within the society, and social disadvantage to be equivalent to the increase of the sum of unhappiness.

The statements here investigated, therefore, resolve themselves into the following assumptions:—

That it is the duty of the State, acting through a majority of adult citizens, to secure the greatest possible sum of general happiness.

That this greatest sum of general happiness can be secured by empirical considerations of the sequences, proximate and remote, of any governmental act.

That there exists no general law, deducible from the nature of men and of their environment, by which the influence of governmental acts on the sum of general happiness can be measured.

Three methods of testing the validity of these postulates are available. We may try to discover whether they are really articles of socialistic belief, or whether socialists merely endeavour to persuade themselves that they believe in them; and we may submit them to the test of deduction and induction. The present chapter will be devoted to the first two of these examinations, while subsequent chapters will deal with the third.

Men having no natural rights can have no natural right to happiness. If men have no natural right to happiness, it cannot be the duty of the State to secure their happiness. The State may endeavour to do so as a matter of grace; but it cannot be bound to continue to do so, and, if it thinks fit, may devote its acts to the furtherance of their unhappiness. In assuming that it is the duty of the State to further the happiness of its members; in laying down the doctrine that the acts of

the State ought to be guided towards the increase of happiness, socialists, therefore, admit a natural right to happiness in the individual members of the State.

Likewise, if the right to individual happiness is assumed to be not natural, but given by the State, the State can withdraw not only the happiness, but also the right to it. Having power to abolish the right to happiness, the State cannot labour under the duty of securing happiness. The right to happiness, therefore, cannot be given by the State, and must be a natural right antecedent to the State. The socialists' postulate, that it is the duty of the State to secure happiness, therefore, is contradictory of the other socialistic postulate that there are no natural rights. It need not be pointed out that the cogency of this reasoning is not affected by the substitution of either misery or indifference for happiness as the ultimate object of State action. As long as it is postulated that the action of the State *ought* to be guided by any principle, it is tacitly admitted that there are individual natural rights ; for the obligation on the part of the State can have no other origin than in the possession of such rights by the individuals composing it, as are not derived from and, therefore, cannot be abolished by the State.

A further contradiction of the denial of natural rights will be found in the claim for the rule of the majority. Socialists passionately urge the right of the majority to impose its will on the minority in all common affairs. This right of the majority cannot, however, be a right granted by the State ; for if it exists, it must be antecedent to the State, otherwise the State would be justified in abolishing it. As a matter of fact, the right is not yet fully recognised in any State in which Upper Houses, not elected by a majority of the people, possess the right of vetoing any legislative act, notably Great Britain and Germany. In these countries, therefore, the right of the majority to rule has not been granted by the State, and, therefore, according to one socialistic doctrine, the people of these countries do not possess the right to majority-rule. As Socialism nevertheless claims that they possess this right, it thereby admits that majority-rule is either

itself a natural right or deducible from individual natural rights.

The following reasoning will prove the latter conclusion to be the right one, the only possible basis being the equal right of all individuals to happiness. For if the acts of the State have any influence on individual happiness, and if some men have a greater right to happiness than others, a minority may possess a greater aggregate right to happiness than a majority, and may, therefore, possess a greater right to determine the conditions conducive to general happiness than the majority. The claim for majority-rule, therefore, implies the recognition of equal individual rights to happiness; therefore it implies the recognition of individual natural right to happiness, and contradicts the denial of natural rights and the assumption that all rights are derived from the State.

This self-contradiction by socialists is still more apparent in the following case. Justice consists of respecting valid claims, and injustice of the infraction of valid claims, *i.e.* of rights. Only in so far as men are possessed of valid claims or rights can they be subject to just or unjust treatment. If all rights are derived from the State, if there are no natural rights, injustice can arise only from the infraction of rights granted by the State. The State itself, therefore, can neither act justly nor unjustly, either in granting rights previously denied, or in cancelling rights previously granted, or in resisting claims. For inasmuch as under this supposition there is no rule by which the validity of any claim can be gauged except the will of the State, it follows that no claim can be valid which is denied by the State. Whenever socialists, therefore, assert the injustice of existing social conditions and institutions, they contradict their own denial of natural rights. Yet, not only is this assertion of existing social injustice the basis of all socialistic theories, but it is also made in explicit terms. The following instances might be supplemented by many others :—

"A woman inherits from nature the same rights as a man." [1]

[1] Bebel, *Woman*, p. 122.

"We might define the final aim of Socialism to be an equitable system of distributing the fruits of labour," [1] implying that the existing system is inequitable, *i.e.* unjust.

"This then is the economic analysis which convicts private property of being unjust." [2]

"Of these three phases of human injustice" (chattel slavery, feudalism, wage-slavery) "that of wage-slavery will surely be the shortest." [3]

Justifying murder as a means of resisting the legal infliction of torture and death by Russian officials, it is stated :—

"It must be remembered that this is not a case of Socialism *v.* anti-Socialism, but of the most elementary rights of liberty and life." [4]

"The phenomenon of economic rent has assumed prodigious proportions in our great cities. The injustice of its private appropriation is glaring, flagrant, almost ridiculous." [5]

These quotations, as well as the preceding examinations, prove that socialists have not realised all that is involved in the denial of natural rights, and that their explicit denial does not prevent them from reasoning as if no such denial had been given.

It is a justifiable assumption to suppose that socialists condemn murder and theft for other reasons than that they have been forbidden by the State. Yet if there are no natural rights to life and property, murder and theft would deserve reprobation only to the extent to which they are forbidden by law and where they are so forbidden. If the human race has passed through a stage of isolated individualism, like that of some predatory animals, the inherent badness of murder and theft would scarcely have been recognised during such period. When, however, the gregarious instinct awoke in man, the inherent badness of such actions could not remain concealed. For not even the least organised horde could remain together under conditions in which unprovoked murder and theft were not limited by sympathy, and without the sympathetic

[1] Kirkup, *An Inquiry into Socialism*, p. 105. [2] *Fabian Essays*, p. 23.
[3] *Ibid.* p. 121. [4] Bax, *The Ethics of Socialism*, p. 70. [5] *Fabian Essays*, p. 188.

feeling of abhorrence there would not have arisen the public opinion which reprobates such actions within the horde. Weak as this sympathetic feeling may have been at first, necessary as it may have been to support its action by fear of retaliation, it is far different with civilised men. For as man becomes habituated to the social state and sympathy develops to a larger extent, murder and theft are no longer reprobated because the law of the State forbids such acts, but because they are in themselves repulsive. The dictates of sympathy are then obeyed without any thought of acts of parliaments or penitentiaries, merely because the thought of the wrong inflicted upon others inflicts suffering upon self. This recognition of a wrong arising from the nature of the acts themselves and not from their prohibition, obviously implies the recognition of corresponding rights, likewise not arising from the prohibition, but from natural relations.

Though human societies differ widely from each other in type and development, they nevertheless have certain features in common. All of them recognise more or less fully certain rights; the right to life and property being the most common. This is not only true of existing societies, savage, barbarian, civilised, and cultured, but is equally true of all past societies of which we possess records. Even in such a society as the Fijian, where the chiefs had acquired undisputed sway over the lives and property of commoners; where certain tribes regularly furnished human victims for cannibal feasts; where aged parents were killed by their own sons as a matter of course,—life and property were safeguarded by strict customs to which these infractions were recognised exceptions.

Moreover, these rights become more fully recognised in the ratio in which the organisation of any society is developed. The higher the type of the society, the more extensive and intensive is the recognition of these rights.

The universal history of mankind, therefore, points to the conclusion that the recognition of human rights is advantageous to society, *i.e.* that it works good; and conversely, that the non-recognition of human rights is

disadvantageous, *i.e.* that it works harm. If this is admitted, it must be equally admitted that there exists a causal relation between the acts of the State and their sequences, over which the State has no control. That this is admitted by socialists is shown in the absolute certainty with which they contend that the present policy of the State works harm, and that its adoption of a specified other policy will work good. Socialists, therefore, themselves contend that the results which flow from governmental acts are not determined by chance, but that such sequences form part of the universal and unalterable causal relation between acts and their results. But if such causal relations do exist, then the action of the State ought to be guided by rules deduced from these unalterable causal relations. To revert to an illustration previously used. If the universal history of mankind proves murder to be harmful, the question whether infanticide shall be permitted cannot be usefully or safely decided by balancing the advantages and disadvantages which at a particular time seem to result from it in the opinion of one or more persons, but ought to be decided by the universal rule. The socialists' postulate that every action of the State, even those affecting the most fundamental rights of its members, ought to be guided by considerations of "the balance of social advantages," ignores the authority and even the existence of such universally true rules of conduct. It assumes that the social utility of every act is solely recognisable by its expected results; that there is no possibility of knowing by deduction from fundamental principles the acts which must be advantageous and the acts which must be disadvantageous to the community.

Nevertheless, such causal relation as is seen throughout nature is no less manifest in the relations of social life. Where justice is expensive or uncertain, or both, contracts are broken lightly and frequently; where violence goes unpunished, disorders increase; where taxation is uncertain or unjustly apportioned, production is checked; where property is insecure, no more than the necessaries of life will be produced; where monopolies abound, wealth concentrates in the hands of a few.

In these as in all other cases the results which flow from acts do not depend upon the will of the State or of the ruling majority, and are unalterable by them. The State, therefore, cannot control the results of its acts; these results are inevitably determined by natural law. How then can it be held that the acts of the State can confer rights? If the State by sanctioning murder could improve the conditions under which social life is carried on; if by sanctioning theft and fraud it could increase the production of wealth; if by establishing private monopolies it could promote an equitable distribution of wealth; that is, if the State could control the sequences of its acts, then the State could also create rights. But when it is seen that these sequences are beyond the control of the State; that they are inevitable consequences of natural law, on which State law has no influence, and for the appreciation of which no empirical generalisation is necessary, no such proposition can be entertained. Rights are then seen to arise naturally, *i.e.* from the inevitable connection between cause and result which prevails throughout nature, and which imposes upon man the recognition of these rights. These are then seen to be natural rights, the denial of which, injuriously affecting life, individual and social, decreases the sum of aggregate happiness; the recognition of which, beneficially affecting life, increases the sum of aggregate happiness. And it is further seen that though the natural social laws and the natural individual rights thence resulting are as eternal and unvarying as the physical laws of nature, their recognition, depending upon the experience of the race as embodied in its ethical perceptions, is a gradual process, similar to the ever-widening recognition of the unchangeable physical laws of nature.[1]

[1] "Hence there is really but one code of ethics and morals which has been and always will be as fixed and unchangeable as the forces of nature. But if, nevertheless, there have been temporary and local differences in ethical views, it is, first, because knowledge of nature has not everywhere reached the same stage of advancement, and men often yield to the grossest self-deception in respect of it; secondly, because there are whole spheres of human life, like the social sphere, which on account of meagre knowledge are not considered natural, in which the sway of nature is not conjectured or presupposed."—Ludwig Gumplowicz, *The Outlines of Sociology*, pp. 176, 177.

CHAPTER II

HAPPINESS OR JUSTICE

EVERY structure of any organism and the corresponding functions which these structures subserve bear some relation to the needs of the organism. The evolution of the structure proves the corresponding function to be an adjustment of the organism to the conditions under which its life must be carried on. The non-fulfilment, in normal proportion, of any function, therefore, causes the organism to fall short of the complete life which is possible to it. If the discharge of any function is neglected, the structure receives an insufficient supply of blood, which, if long continued, causes atrophy ; the consequent loss of power of the particular structure being accompanied by a corresponding deterioration of the organism as a whole. If the discharge of function is excessive, the increased waste is at first made good by an increase of blood-supply and corresponding hypertrophy of tissues. These compensatory movements, however, being limited in extent, further excess, leading to uncompensated waste, impairs the efficiency of the structure and injuriously affects the entire organism.

During the evolutionary process, pleasurable sensations and emotions have, necessarily, become the concomitants of the normal discharge of functions ; while painful sensations and emotions have become the concomitants of deficient or excessive discharges. For adjustment to environment, subserved by the evolution of functional structures, could not have been achieved by organisms which habitually underwent painful sensations from normal

discharge of functions, and pleasurable sensations from their abnormal discharges. Likewise, organisms which experienced no sensations from the discharge of functions, normal or abnormal, could not have discharged their functions as efficiently, and would, therefore, have been less likely to survive than organisms whose discharge of functions was regulated by corresponding sensations.

Every species, however, is subject to derangements of these relations through changes in external conditions. Normal discharge of particular functions, though pleasurable, may under these new conditions lead to the destruction of the species, while defective or excessive discharges, though painful, may become necessary conditions of survival. Such derangements are, however, temporary; for unless the normal relation is sooner or later re-established by such modification of structures as will lead to corresponding sensations being derived from the due or undue discharge of functions, the species will cease to exist.

Mankind, no less than inferior creatures, is endowed with this relation between sensations and emotions on the one hand and the discharge of functions on the other. Nor is mankind exempt from the disturbance of these relations through changes in external conditions. On the contrary, as the change of such conditions has been exceptionally great and involved during the passage from savagery to the civilised state, the relation between sensations and discharge of functions has undergone exceptionally great disturbances in the case of civilised man. That his adjustment to the conditions of social life is not yet complete, is shown by the, as yet, incomplete relation between his sensations and the discharge of functions which the social state imposes upon him. In many cases actions which must be performed yield no pleasure, and actions which must be avoided yield no pain. Nay, in some cases, necessary acts actually cause pain and injurious acts cause pleasure. But with the further progress of man's adaptation to the social state these incongruities must diminish as they have diminished during like progress in the past, and with complete adaptation they must disappear.

The sum of pleasurable sensations and emotions which

arise from the normal discharge of all functions constitutes happiness. Or, in other words, happiness arises from the due exercise of all the faculties. For the only happiness we know of arises from the satisfaction of desires both self-regarding and other-regarding. Desire, however, is but the need for some pleasurable sensation or emotion, and pleasurable sensations and emotions are producible only by the due exercise of some faculty. The satisfaction of desire being thus dependent upon the due exercise of some faculty, happiness, the satisfaction of all desires, consists in the due exercise of all the faculties. The first requisite of happiness, therefore, is freedom to exercise all the faculties.

In the social state, however, the sphere within which each can exercise his own faculties is limited by the spheres within which others must exercise their faculties. If every man is to realise the greatest possible happiness, mankind must be so constituted that each of them finds due exercise for all his faculties within his own sphere, without encroachment on the spheres of others. This complete adjustment to social conditions does not yet prevail, inasmuch as occasionally painful sensations arise from limiting activities to one's own sphere, and pleasurable sensations from encroaching on the sphere of others. It results from this mal-adjustment, that men are not yet capable of the full degree of happiness otherwise open to them. Nevertheless is it true that the greatest aggregate sum of happiness can only arise from a strict limitation of the activities of each by the like activities of all others. For whenever pleasure accrues to one through encroachment on the spheres of others, the resulting increase of happiness to the aggressor is less than the corresponding decrease of happiness to those aggressed upon. To their loss of positive pleasure, there is added the pain arising from the feeling of injury. Not only is the aggregate of present happiness thus reduced, but there results also a decline of future happiness. For every such encroachment disturbs and delays the further adjustment of character to social conditions, upon which the attainment of complete happiness depends. The fixed condition, under which alone the greatest aggregate sum of happiness

can be attained in the social state, therefore, is freedom of each to exercise all his faculties, limited by the like freedom of all others to exercise their faculties, *i.e.* justice, the recognition of equal natural rights.

These considerations show that happiness is not something which the State can distribute among its members. For no action of the State can endow every one of its members with the appropriate organisation which makes pleasurable sensations and emotions the concomitants of necessary actions, and painful sensations and emotions the concomitants of deleterious actions. Hence, any attempt to distribute happiness would produce deleterious results in various directions. By disturbing the balance between sensations and actions it would prevent the necessary further adjustment of men's organisation to the requirements of social life. As the notion of State distribution of happiness necessarily implies the non-exercise of faculties otherwise exercised by individual men in procuring their own happiness, the happiness of each must be diminished to the extent to which these faculties remain unexercised, *i.e.* the attempted State distribution of happiness would result in a diminution of the aggregate sum of happiness. And further, as disuse of faculties tends to their deterioration and ultimate disappearance, State distribution of happiness, if possible, would result in a diminution of individual faculties, and, therefore, in a reduction of individual capacity for happiness.

Moreover, the idea of the State distributing happiness necessarily implies the further idea of proportionate distribution. What then is the proportion of happiness to be distributed to each? If the answer is, that happiness is to be distributed in equal parts, the impossibility of the project is obvious. For nothing that the State can do can procure the same happiness for the antagonistic as for the sympathetic; for the passive as for the active; for the lethargic as much as for the excitable temperament. If, on the other hand, happiness is to be distributed unequally, the question arises, By what rule is the distribution to be guided? Is it to be according to merit or to demerit; or are the distributers to form an exact estimate of the capacity

for happiness of each member of the State, and then to apportion the available quantity of happiness accordingly? Whichever of these courses is chosen, the impossibility of any distributers making even an approximately correct apportionment is obvious.

There remains yet another difficulty. What is it that is to be distributed? Happiness cannot be cut up and distributed in parts, nor can it be measured as cloth is measured by the yard. What then is meant when the claim is made that the State shall distribute happiness, as it is made in the socialistic contention that the State ought to be guided in its actions by nothing else than "the balance of social advantages," *i.e.* the measure of happiness which results from them. The only meaning which can be imported into the proposition manifestly is, that the State shall secure for its members the greatest means to happiness.

Here again, however, it has to be recognised that no possible distribution of the means to happiness can secure the greatest sum of aggregate happiness. For if the distribution of means is to be made in equal parts, as Socialism proposes, differences in age, sex, constitution, activity, and mental organisation, would result in some receiving more and some less than their greatest possible happiness requires. As a consequence, there would be a loss of aggregate happiness; the sum of available means could procure a greater sum of aggregate happiness if it were distributed in some other way. If, on the other hand, it were contemplated to distribute the means to happiness unequally, the same impossibility of making the apportionment conform, even approximately, to any rule which may be adopted, is as manifest as it was found to be when a like distribution of happiness itself was considered.

Seeing happiness itself cannot be apportioned; seeing also that the distribution of equal means to happiness fails to secure the greatest possible aggregate sum of happiness, while no other distribution can be made; it follows, once more, that considerations of happiness or social advantage offer no guidance to the State. The question, however, still remains, How can the State secure the greatest sum of

aggregate happiness? Manifestly there remains but one way: the State must secure to all the conditions under which each may obtain for himself the greatest amount of happiness, *i.e.* it must secure to all equal opportunities for the exercise of their faculties. Each must have as full freedom for the exercise of his faculties as is consistent with the equal freedom of all others. Therefore, once more we find, that not considerations of happiness, not "the balance of social advantages," but justice, the recognition of equal natural right, alone can guide the State so as to secure the greatest aggregate sum of happiness to its members.

The same conclusion will be found to be inevitable when the question is approached in another way. Men have different standards of happiness; not only men differing in race, not only men differing in degree of civilisation, not only men of the same race and civilisation, but even the same men at different periods of their lives. The qualities of external things as apprehended by us are relative to our own organism, and, therefore, the feelings of pleasure and pain which we associate with such qualities are also relative to our own organism. This is true in a double sense, for these qualities of external things are relative to the structures, as well as to the state of the structures of our organisms. Not only, therefore, is it true that "what is one man's meat is another man's poison," but also, that what is pleasurable at one time is painful at another to the same individual. The painfulness of exercise, otherwise pleasurable, when the body is in a state of exhaustion; the distaste for food, after a hearty meal, which would be keenly relished when hungry; the agreeableness of a cold bath in summer, which in winter is shrunk from; as well as the pleasure derived from a fire in winter, which in summer is oppressive, are but simple examples of this general relativity of pains and pleasures to structural states.

All these circumstances render it exceedingly difficult for any individual to estimate the conduct which will ensure the greatest happiness of himself and of the members of his immediate family. Individuals, therefore, more

and more, allow their conduct to be guided by ethical considerations, in the sure expectation that conduct so regulated is more conducive to happiness than conduct aiming directly at happiness. This difficulty of the individual, however, is infinitesimal compared with that of a governmental agency undertaking to determine the actions which will ensure the happiness of all the members of the State and of their descendants. Even when the latter element is disregarded—though it is obvious that the happiness of future generations is largely affected by present actions of the State—even when the happiness of living men and women alone is considered, the difficulties are insuperable.

For the organisation of every individual differs in innumerable ways from that of all others and from that of the persons composing the governing agency. Therefore the kinds and degrees of actions which will ensure the greatest happiness of which each of them is capable, differ from those which will ensure the happiness of all the others, inclusive of that of the regulators. Nevertheless the latter must be guided by their own feelings in determining the kinds, degrees, and sequences of the countless acts, the totality of which constitutes the happiness of the innumerable persons, all differently constituted from them and from each other, the happiness of whom they endeavour to ensure.

While the difficulty of determining the conduct which will conduce to the greatest aggregate sum of happiness is thus insuperable, the like difficulty is seen to exist when the agencies by which such conduct must be applied are considered. For the object, individual happiness, and the agencies by which it can be attained are simple when compared with the infinite complexity of the object, general happiness, and its requisite agencies. Aiming directly at general happiness, the State would require numerous subordinate agencies, each composed of a graduated body of numerous officials, most of them unknown to and unseen by the ruling agency, and acting upon millions of differently constituted individuals, equally unknown to and unseen by the rulers. Not only would the

conduct determined upon be coloured and deflected in its passage through these various agencies in ways which could not be foreseen, but its ultimate application would again be determined by the character of officials and of each of the individuals on whom it is enforced. Therefore, even if it were admitted that the State could better determine what is conducive to each individual's happiness than each can for himself, it would yet be impossible for the State so to shape its acts as to secure that happiness to each.

Therefore, it is again seen, that the only conduct by which the State can procure the greatest aggregate sum of happiness, is to secure to all its members equal opportunities for the achievement of their own happiness, *i.e.* equal opportunities for the exercise of their faculties; that is, the State must be guided by no other consideration than that of justice.

In further confirmation of this same conclusion, the consideration may be cited, that justice is a more intelligible aim than happiness. For justice is a question of quantitative measurement. Whenever an infraction of justice occurs, as when, in a case of individual theft or of that general theft which arises from monopoly, a benefit is taken while no equivalent benefit is given; or when, as in breaches of contract, obligations discharged by one side are not discharged or not fully discharged by the other; or when in the case of violence one assumes a greater freedom than the other; or when the State itself confers privileges upon some of its members which cannot be equally conferred upon all,—the injustice always consists in the disturbance of an equality and can be measured quantitatively.

When, however, the object aimed at is happiness, no definite measure is available. Not only is the measure of quantity indefinite, but, differing from justice, a quantitative measure also is required and is equally indefinite. As an end to be achieved, happiness is, therefore, infinitely less definite and less intelligible than justice.

Finally, the theory of "the balance of social advantages" implies the belief that the State can secure the greatest sum of aggregate happiness by methods framed

directly for this purpose, and without inquiry into the conditions from which happiness arises. If it be held that there are no such conditions, one kind of action would be as effective in securing happiness as any other kind of action, and, therefore, no balancing of advantages could be necessary or beneficial. If, on the contrary, it is admitted that there are conditions on the compliance with which happiness depends, then the first step toward happiness must be to ascertain these conditions, while the remaining steps required consist in compliance with the conditions ascertained. To admit this, therefore, equally condemns the balancing of advantages as a possible guidance, and admits that not happiness itself, but compliance with the conditions which ensure happiness, must be the immediate aim of the State, *i.e.* that justice must be its guide.

Expediency, the guidance by expected proximate results, proverbially delusive when guiding individual conduct, is thus seen to be still more delusive when guiding collective conduct. The theory that there are no natural rights, that as a consequence the State may usefully shape, and ought to shape, its conduct by balancing expectations of social advantage against expectations of social disadvantage, is shown to be a shallow delusion. From whatever standpoint the question is approached, there results the conviction, that, though there may be additional guidance for individual conduct, there is only one clear, safe, and infallible guide for collective conduct, the conduct of the State. That guide is justice, the recognition of equal natural rights inherent in every member of the State, and entitling each to equal opportunities with all others for the achievement of his own happiness.

CHAPTER III

THE ORIGIN AND GROWTH OF LAW

ONE more proof must be given to show that human rights are not derived from the State, but are inherent, the State merely recognising their existence as a necessary condition of its own existence and continuation. This proof is furnished by the history of human law.

If rights are not natural, *i.e.* arising from the conditions under which life must be carried on in the social state ; if they are arbitrary gifts conferred on its members by the State,—they must be conferred through laws enacted by the State. Even if it could be shown that in every society, past and present, there existed a legal enactment corresponding to each recognised right, which manifestly is not the case even in our societies, the conclusion would not be justified that the right emanated from the law ; that it had no existence before the law granted it. For it is obviously possible that the law, instead of creating new rights, has merely recorded rights previously recognised, for the purpose that fixed scales of punishment for the infraction of such rights should ensure their more uniform recognition.[1] But if it can be shown that till a comparatively late period the State made no laws, and that,

[1] "The Common Law, which had its origin with the Judges, made the following presumptions in all actions between the State and the subject :—First, that all privileges, such as personal liberty, freedom of speech, liberty to trade, right of public meeting, were the property of the subject and not the gift of the State" (p. 10).

"Those charters of our liberties, Magna Charta, the Petition of Rights, and the Bill of Rights, are merely declaratory of the existence of these rights. . . . Hence, to the State British subjects owe none of the fundamental rights which some call natural" (p. 14).

Attacks on Liberty, an address by Thomas J. Smyth, LL.B.; Dublin University Press, 1890.

nevertheless, human rights were recognised, nay, that such rights were recognised before there was any State and any law of the State, then it is obvious that human rights are natural, *i.e.* that they antedate the State and are derived otherwise than from the State.

The historical proofs that customs recognising rights to life and property are antecedent to the formation of the State, and that, till a comparatively late period, men failed to entertain even the conception that laws could be made by the State or any other human agency, have been furnished by a host of modern writers.[1] The present chapter, dealing for the sake of brevity with European States only, is mainly founded on Professor Edward Jenks' valuable and interesting work, *Law and Politics in the Middle Ages*.

The first records of Teutonic law consist of the compilations known as Leges Barbarorum of the sixth century. Several of these codes contain an account of their origin. Lex Salica, the code of the Franks, contains a prologue which describes the collection of its enactments by four chosen men (whose names and abodes are stated) after lengthy discussions with presidents of local assemblies. It also contains the following general observations on the manner of their origin : "Custom is a long habit founded upon manners; it is founded upon antiquity, and an old custom passes for law."[2]

Lex Gundobada, the code of the Burgundians, describes itself as a definition, and bears the seals of thirty-one Counts as witnesses, and the oldest code of the Alemanni is known as a Pactus or Agreement.

These codes, therefore, are not laws newly made and imposed by some authority, but a collection of ancient tribal customs. This view, now generally admitted, is confirmed by the fact that they are not territorial laws, but laws of peoples. They show us the provincials of Gaul living under the Roman law, of which the conquerors made no attempt to deprive them. The Salic law specially

[1] "Thus the comparative study of law showed that rights arise historically in the collective or 'folk mind.'"—Ludwig Gumplowicz, *The Outlines of Sociology*, p. 91.

[2] Alexander Sutherland, *Origin and Growth of the Moral Sense*, volume ii.

refers to "men who live under the Salic law"; and the oldest part of Lex Ribuaria contains the following passage: "A Frank, a Burgundian, an Alemann, or in whatever nation he shall have dwelt, shall answer according to the law of the place where he was born. And if he be condemned, he shall bear the loss, not according to Ribuarian law, but according to his own law." [1]

The time and circumstances which gave rise to these compilations are also not without bearing on the question of their character. Most of them are the outcome of the Teutonic emigration to Gaul, and coincide in date with the conquests of Charles Martel, Pepin the Short, and Charles the Great.

The probable cause of their origin may, therefore, be found in the inevitable conflict between the desire of the conquerors to modify the laws of the conquered by the introduction of some of their own customs, and the resistance of the latter, as also in the necessity of reconciling conflicting practices and providing for new conditions. Such conflicts and new conditions would make the precise formulation of claims obligatory, and would thus naturally lead to the compilation of the customs upon which the latter were founded.

It is, therefore, an absolute certainty that these codes are not a collection of new edicts, but a collection of old tribal customs. The question, however, arises, How did these customs come into being? were they the conscious invention of any governing authority, or the outcome of an unconscious growth, corresponding with the growth of the tribal society? A short exposition of the organisation of Teutonic tribal societies will establish the truth of the latter conception, which, moreover, corresponds with the wider truth, fully established, that all primitive customs originate in the necessities of social life under the supposed sanction or command of tribal deities.

At the beginning of our era the Teutonic peoples, as described by Cæsar and Tacitus, were living in clans. The unit of the clan was the household, consisting not of one family, but of a cluster of families, the males and

[1] *Law and Politics*, p. 9.

unmarried females of which were descended from the same ancestor. All the households constituting the clan also are descended, or believe that they are descended, from a common ultimate ancestor. Within the household the housefather, generally the eldest male in direct descent, holds despotic sway, modified by ancient customs. The other members and the common property of the household are in his trust (*mund*), and he alone speaks and acts for them. Within the household every member bears the responsibility for his individual acts, but to the outside world the members of the household are jointly responsible for the acts of each of its members. The injury of one is the injury of all, as the wrong done by one is considered a wrong done by all. The household acts and is acted upon as a corporate whole.

In this limitation of the right of vengeance and liability for revenge to the members of the household, the blood-feud appears the first manifestation of public law. Anterior to it, the murder or other injury of one would be avenged by all who were interested in the victim, upon all who were in any way connected with the aggressor. General slaughter, destructive of the fighting strength of the clan, was the result. In time there arose the custom of limitation to the members of the households to which both parties to the injury belonged, and this same idea is subsequently extended to offences against property. The area of revenge and re-revenge is thus limited, and the consequences of feuds are made less disastrous to the community.

Nevertheless, the responsibility of the household is heavy; for if one is injured and vengeance is taken, the feud is carried on by the household of the original aggressor as a sacred duty. Gradually the idea must have arisen that some real advantage received by the household in compensation for the loss or injury of one of its members would lessen the responsibility of each household and redound to the advantage of the clan. For the blood-feud weakens both households and the clan, while compensation enriches one of the households and prevents further weakening of the clan. Thus cases arise where

compensation is offered and accepted. At first no doubt rare and applying to slight injuries only, these cases gradually multiply and extend to graver offences, until finally they harden into custom, and the payment of blood-money or "wer" habitually takes the place of the blood-feud. The housefathers, as elders of the clan, are the repositories of its customs. They, therefore, decide in each case what the compensation shall be, taking into account the nature of the offence as well as the status of the injured person. But there is no power to enforce their finding. If either the plaintiff or defendant refuses to acquiesce in their judgment the blood-feud takes its course.

This is the stage of development at which Teutonic customs had arrived when the Leges Barbarorum were being compiled. They are principally concerned with minute and careful regulations of the compensation to be paid for offences. But they also make it quite clear that compliance is voluntary, and that the clan has neither executive nor legislative machinery.

These facts prove the tribal customs, embodied in the Leges Barbarorum, to have grown and established themselves independent of any official authority. The immediate successors of these compilations are the Capitularies or royal and imperial edicts issued by the Karolingian rulers and others. They mostly deal with comparatively unimportant matters, and it is doubtful whether their validity extended beyond the life of the ruler who issued them. In some rare cases "capitula" became true additions to the law of the time, but it must be remembered that they were a foreign importation imbibed by the rulers from the Roman law.

During the gradual decay of the Frank Empire a new law grew up: the law of the fief or feudal law. The feudal lord administered the law of the fief—generally by deputy; a law made by no legislator, but which during these troublous times had arisen through the mutual needs of the men of the fief and their lord. It is purely local, for any dispute as to what is the law of a given fief is settled by reference to the "greffe" or register of the court, and

if this is silent, the men of the fief are called together and decide what the law is (*enquête par tourbe*). Certain general principles, nevertheless, run through the customs developed in each fief, and the right of appeal to overlords tends to produce a certain uniformity. Still the general truth is, that the court of each fief has its own home-made law.

As the fief-law applied to men of the fief alone, other laws had to evolve for men who were not of the fief, such as priests and merchants. These laws also do not emanate from the State.

The canon law originates in resolutions of general councils of the Church and papal decretals, considered as binding by the clergy, and which, supposed to embody the divine will, harmonise with primitive conceptions of the origin of custom and law. To these must be added ecclesiastical capitularies, issued by the Karolingian and other rulers, and similar regulations in which secular authority endeavours to restrict or enforce ecclesiastical claims.

In time, however, the Church emancipates itself even from this slight interference of the secular power. The forgeries of Isidorus Mercator are followed three centuries later by the Decretum Gratiani, likewise a private work to which full authority is accorded, and is completed by the papal compilations beginning in the thirteenth century. The canon law, the binding force of which was not disputed, is thus, like the laws already considered, neither made nor administered by the State.

It is similar with the law of merchants. The rise of more settled conditions during the eleventh century, and, still more, the Crusades, greatly stimulated commercial intercourse, which had almost disappeared during the preceding period of anarchy. Neither the law of fiefs nor the elder folk-law contained provisions applicable to larger trade transactions. A new body of law had, therefore, to be evolved, and was again evolved by those whom it concerned. The usages of merchants gradually hardened into principles of conduct having the force of law. Though frequently at variance with the principles of local laws, the

merchant-law was nevertheless universally acquiesced in and administered by courts of the highest eminence, such as those of the Hanseatic League and the Parloir aux Bourgeois at Paris. This, then, is another body of laws, having cosmopolitan validity like the canon law, which arises independent of the State, and receives obedience without any special sanction from the State.

The separate development of law in the three kingdoms of England, France, and Germany, which have become definitely established by the end of the tenth century, must now be followed.

England under Saxon rule had remained largely uninfluenced by the events which moulded the fortunes of the Continent. Such rudiments of the feudal system as had established themselves had given rise to a similarly rudimental state of feudal law. On the whole, however, the old folk-laws held sway within their several areas. This arrested development greatly facilitated the work of legal unification to which the Norman kings devoted themselves. In this endeavour they were largely aided by the fact that England, as a conquered land, was a single fief in the hands of the king. They succeeded in little more than a century in creating a "common law" of the realm, the law of the royal court.

This law, however, is by no means a collection of State enactments; it is the law of a court. At first the kings send their ministers round the country to administer local law in local courts, and to look after the financial and administrative interests of the king. Gradually differentiation takes place and is accompanied by greater coherence. Before the end of the twelfth century there has evolved a royal court with purely judicial attributes, making regular visitations through the counties, but having its headquarters at the residence of the king. It devises regular forms of procedure and keeps strict record of all the cases which come before it. In their decisions the judges unify and modify old folk-laws; precedent is followed by precedent; and by the end of Henry III.'s reign, the law declared in the king's court has superseded local law and has become the Common Law of England. No one gave

the judges power to declare law, or enacted that their decisions should become the law of the realm. Nevertheless, it is the law of the realm, and all bend before its authority.

Accompanying this spontaneous growth there is, however, another development which bears some likeness to the conscious law-making of our time. England, owing to the conquest, is the domain of the king; all that he has not expressly given away belongs to him. Hence he gives charters in great numbers, which become part of the general law. Further, as the lord of a domain, he may, within certain customary limits, make rules for its management, and as all England is a royal domain, the king assumes this power over all England. Hence arise royal assizes and ordinances, which come very near to modern ideas of law.

There thus existed in Norman England various bodies of law, severally declared by kings, judges, landowners, custom, merchants, and ecclesiastics. Their unification through the establishment of one law-declaring agency would be a manifest advantage. This result flowed from the Great Parliament, where, for the first time, the representatives of the several sections of the people came together in one body. It gave to England a far more efficient law-declaring agency than any other which then existed or for centuries arose in other Teutonic countries, in spite of the fact that the canon law continued to be a rival of the national law. But even Parliament was not a law-making body at first. For two centuries it confined itself to the enforcement of old customs, or of such new customs as had met with general observance without its sanction. Not till the time of the Reformation is the modern idea of law, made by the State and imposed upon its members, realised.

The development of English law in one other direction, that of equity, has yet to be mentioned. When, in the thirteenth century, as already stated, Parliament had become the sole law-declaring agency, it still refrained from enacting new laws. Yet the rapid development of industry urgently required new laws. Suitors, therefore,

petitioned the Crown whenever the common law failed to provide a remedy. When the matter was one for legislative declaration, the king, acting through his council, brought it before Parliament. When the matter was one for the king's grace, he referred it to his chancellor, who, as ecclesiastic and president of the king's chancery, could pronounce on the remedy which conscience would dictate in the absence of positive law. Gradually this practice assumed regular shape. Records being kept, successive chancellors follow the rules laid down by their predecessors, and failing such, declare rules of their own, which guide their successors. Thus the Court of Chancery also becomes a law-declaring court, adding its own laws, based purely on the perception of natural rights, to those declared by Parliament.

The peculiar feature in the development of English law, here briefly sketched, is, that in several directions it anticipates analogous developments in continental countries by many centuries. Earlier than elsewhere there arises a true law of the realm, though other laws also have local or sectional currency; earlier also there arises a central law-declaring agency, though other law-declaring bodies continue to exist. But—and this is the fact which shatters the contention that rights are created by the State—the law throughout grows and develops independent of the State. It is the creation mostly of the men who must obey it, and is mostly formulated by persons having no authority from the State to do so. Even when at last a parliament arises, possessing powers of legislation, it, for a long time, abstains from making laws, confining itself mainly to declarations of what the actual law is. Even this power it shares with an unauthorised body. The laws have been made, if they can be said to have been made, by the common people, merchants, ecclesiastics, and lawyers, and only to some slight extent by the king. Not a majority but a consensus of public opinion has evolved them, and it is this general consensus which has given recognition to individual rights, and not the State.

The absence of State-law and the recognition of individual rights through laws arising from other sources is

a feature which stands out still more boldly in the legal development of Germany and France. Down to the sixteenth century there is in neither country any national law, but a medley of feudal, local, municipal, and royal law, besides the canon law and the law of merchants.

The feudal and local laws of Germany were compiled for the first time in the thirteenth century by private compilers. The *German Mirror*, the *Saxon Mirror*, the *Swabian Mirror*, and the *Little Kaiser's Law*, are such compilations, and were accepted as actual law in spite of their private origin. Even when, a century later, official compilations were made (*Landrechte*), they were little more than new editions of the *Mirrors*.

In the fifteenth century, however, a new development takes place. Germany is invaded by the Roman law, and German law ceases to develop on its own lines. The *Corpus Juris Civilis* of Justinian, as expanded by Italian commentators and glossarists, becomes the common law of Germany. This usurpation, however, is in nowise the work of the State. Once more it is the work of private persons : teachers and writers at the universities, as well as learned doctors practising at the various courts, declare the law, and the people accept it.

The Roman law, however, did not displace local laws. On the contrary, the latter remain supreme. It is only when other sources fail that the Roman law is appealed to. The German maxim is : "Town's law breaks land's law; land's law breaks common law." [1]

These town laws, again, though based on charter privileges and local customs, are the creation of local courts (*Schoeffen-Gerichte*) and not of any legislative authority.

After the Reformation, however, royal legislation also begins to play a part. The great feudatories of the empire, having become independent potentates, aspire to being law-givers as well. New spheres of legislation, such as aliens, marine, literature, and others, fall exclusively into their hands, and in many directions they modify local laws. But their influence is far smaller than that of the Parliament of England, for the issue of their laws did not

[1] Jenks, *Law and Politics*, p. 53.

interfere with the fullest obedience being paid to older laws.

Legal development has been closely analogous in France. Here also the first compilations of existing law are made in the thirteenth century, such as the *Très ancien Coutumier* of Normandy, the *Conseil* for the Vermandois, the *Livre de Jostice et Plet* for the Orléanais and others. But, differing from the German practice, these text-books are not regarded as actual law. This, in disputed cases, is still ascertained by searches in the register of the court of the district, or by an *enquête par tourbe*.

The first official attempt to ascertain what the laws are, was made by the French kings in the fifteenth century. Continued through four reigns (from Charles VII. to Louis XII.) these researches resulted in the compilation of the official *Coutumiers*. These show that each district had its own laws, administered by its feudal seigneur, who had right of pit and gallows, of toll and forfeiture. Of national law not a trace can be found; complete anarchy prevails.

These *Coutumiers*, though they henceforth are authoritative declarations of what the law is, are mere compilations. No new laws enter into them. The sole intention is to do away with the necessity for *enquêtes par tourbe*. Therefore, a final *enquête par tourbe* is held. Representatives of every order and rank in the district are called together; these discuss and alter the compilation, and finally declare it to be a true exposition of the ancient customs of their district.

Other laws, however, co-exist with the *Coutumiers*. In Southern France, the *pays de droit écrit*, a modification of the Roman law, continues to prevail; cities and towns have each developed their own law through their local courts, *cours d'échevins;* there is the law of merchants and the canon law, and, finally, royal law also appears as an important factor somewhat earlier than in Germany. As, by conquest, province after province is added to the domain of the Crown, royal ordinances are extended to them. The new spheres of legislation also fall into the hands of the king, who, from time to time, also succeeds in encroaching

on the domain of older laws. But, in the main, the condition is the same as in Germany. Older laws remain intact, and the royal laws mostly cover but a comparatively small area, and cover that incompletely. The revolution at last makes *tabula rasa* of this anarchic condition, imposes a national law, and, for the first time in France, realises the modern idea of uniform law made by the State.

This necessarily much abridged and hasty survey of the evolution of modern law reveals the following facts :—

Law, till comparatively recent times, is not made by any legislative authority. Originating in customs, the result of experience confirmed by the actual or supposed commands of ancestors, its sole authority, for a long time, is its antiquity or supposed antiquity. Even when, at last, law is recorded and loses its previous flexibility, alterations of previous law as well as new laws, required by social necessities, are not imposed by the State. They develop and grow, and when general approbation has been given to them, they are finally declared by various authorities, the last comer among which is the State. Finally, there arises the questionable notion that the State can make laws instead of merely declaring what the law is. It is clear, therefore, that, during by far the greater part of our era, the State made no laws, and that the human rights recognised during this period and transmitted to the present time were not and are not granted by the State or any other governing authority, and that, therefore, they are natural rights. Whatever test is applied to the socialistic view of human rights, shows it to be erroneous, and, therefore, the system which is based upon that view must be a false system.

CHAPTER IV

NATURAL RIGHTS

THE purpose for which organised society exists being the furtherance of the happiness of all the members of society—the only manner in which this purpose can be fulfilled being the maintenance of the equal natural rights of all the members of society,—it follows that it is the duty of organised society, the State, to secure to all the full possession of their natural rights, *i.e.* to secure to each of them the fullest opportunity for the exercise of all his faculties, consistent with the equal opportunity of all others for the exercise of their respective faculties. Not only must there be no invasion of the sphere of any individual by other individuals, but the State also must abstain from any further limitation of the sphere within which each is free to act than suffices to maintain the equal freedom of all.

Which are the natural rights, which, placed beyond the reach of any majority, cannot be limited or denied without injustice and consequent loss of happiness? To deal at length with all of them would transcend the scope of this inquiry. Neither Socialism nor any instructed Individualism denies the right to free speech and publication, free thought and worship; the right of marriage or the equal political rights of all adults of both sexes. Other natural rights are either denied or at any rate not so fully understood either in their extension or limitation, and must here be dealt with. This will be done in the following chapters.

CHAPTER V

THE ETHICS OF DISTRIBUTION

THE only means by which the State can assure the greatest aggregate sum of happiness to its members we found to be the observance of justice, *i.e.* securing to all equal opportunities for the exercise of their faculties. In order that any one of them may exercise his faculties, he must satisfy the primary necessity of life, nutrition. In order that all may obtain food, some or all must exercise faculties in the production of food. The question arises, to whom rightfully belongs the food and other desirable things which any member of a society has produced by the exercise of his faculties?

Socialism, as already shown, replies, that the wealth produced by any and all the members of the State belongs to the State. The reasons by which this view is supported have been quoted verbatim.[1] Before dealing with them, our independent inquiry into the ethics of the relations between State and citizens must be carried a step further than has so far been done.

From the sociological standpoint, ethics are a definite account of the forms of conduct which are fitted to the social state, *i.e.* which will enable each member to live the fullest and longest life, while rearing a due number of offspring. Differing from mere aggregations of animals, and even from those earliest human groups in which the purpose of contiguity is mainly mutual defence against external aggression, the social state implies effectual co-operation in defence against external and internal aggression, as well

[1] Part I. chap. v. p. 41.

as in industrial activities. In the more highly developed social state, this latter object, industrial co-operation, is both more important and more continuous than defensive co-operation. The prosperity of any society, therefore, mainly depends on the extent to which the conditions for effectual co-operation, and especially industrial co-operation, are fulfilled. If these conditions are observed to a due extent, those individuals whose nature is most disposed to effectual co-operation will, on an average, live longer and leave greater progeny having similar tendencies. The whole society, thus brought into an ever better adaptation to the conditions of social life, will not only experience the greatest sum of aggregate happiness, but will also supplant other societies in which the conditions for effectual co-operation are less favourable.

In order that the sentiments which make for social conduct may develop, each member of the State must reap more good than evil from social union. The loss from internal aggression, individual and social, must be less than the gain from industrial co-operation and from reduction of external aggression. The increase of egotistic satisfactions yielded by the social state is, therefore, obtainable only by an altruism which, to some extent, recognises the claims of others. Where this altruism is developed so little that fear of retaliation is the only restraint, the gain from social union is comparatively small. Not only are aggressions frequent and extensive, causing great loss, but the gains from co-operation are small, because co-operation is limited in intensity and extensity by such aggressions. The gain increases in both directions as this pro-altruistic sentiment develops in the direction of the altruistic conception of equal rights, *i.e.* as the recognition of the equal rights of others becomes voluntary and general. It is greatest where the conditions are such that each can satisfy all his needs and rear a due number of offspring, not only without hindering others, but while aiding them in doing the like. What then is the conduct from which evolve the sentiments producing this highest development of social life? The following exposition will furnish the answer to this question.

The evolution of every species of higher animals is dominated by two laws, one egotistic, the other altruistic. The latter is, that during immaturity of the individual the benefits which it receives must be inversely proportioned to its capacity; for the continuance of the species depends upon a due number of offspring being reared. During infancy the life of all young animals is dependent not on their own efforts, but upon parental care. During gestation the embryo derives its nutrition gratuitously from the system of the mother. After birth, the greater or less helplessness of the young animal requires the gratuitous supply of food and defence against enemies by either or both parents; the rendering of these services becoming less and less necessary as, with the approach of maturity, the animal becomes better able to help itself. Other things being equal, therefore, that species will become most numerous and will supplant allied species in which the parental sentiment, compelling services being rendered inversely to the capacity of the offspring, is most highly developed, and similarly, within the species, the offspring of those possessing this sentiment to a higher degree will supplant the offspring of others.

The human offspring is helpless and dependent for a longer period than that of any other species, and the parental sentiment and emotions are proportionately more highly developed. In the higher races of men, the love and protecting guardianship of the parents follow their children even beyond the parental home, fostering the growth of the allied emotions which cause children to return the parental love and its gifts when in their turn parents grow into advancing helplessness. The law, therefore, applies in every respect to the human species as well. In early infancy the care bestowed must be incessant on account of the absolute incapacity of the human baby. As the child grows older, services previously rendered by mother or nurse may now be assumed by the child itself; as the young men or women approach maturity and become able, through the performance of services, to obtain their own sustenance, the gratuitous provision of sustenance by parents is curtailed and ultimately withdrawn. Here also,

benefits conferred are inversely proportioned to capacity, and those parents on an average will rear the greatest number of similarly disposed children, in whom the sentiments which prompt to this parental sacrifice are strongest; and those societies will outnumber and displace others in which these sentiments are most generally and strongly developed. Those parents in whom the sentiments prompting to sacrifices for the benefit of children are weakest, will, other things being equal, rear the fewest children; their progeny, possessing similar natures, being ultimately displaced by that of parents in whom the parental emotions are more highly developed.

Self-sacrificing parental love is the first of the emotions which prompt to altruistic acts. The sympathy which it engenders, extending to wife, brothers, sisters, and parents, widens into sympathy with the clan, the tribe, and the nation, and blossoming at last into that general feeling of beneficence which, counting all mankind as kin, prompts generally to beneficent acts. This social altruism, however, lacking certain elements of parental altruism, never can attain the same intensity. Yet that it may generally attain a high level; that ministering to others' happiness may become an indispensable condition of self-happiness; and that the happiness thus derived may be more intense and may be preferred to happiness derived from egotistic acts, may be seen in ever-multiplying instances of men and women who thus secure their happiness. Such voluntary beneficence, however, cannot be carried permanently to an undue extent. For the more generally sympathetic being, on an average, those in whom the parental emotions are also most highly developed, will not tax their resources for the benefit of others beyond the limit which allows a better bringing-up being given to their own children than to those of others.

The other law is, that after maturity has been attained, benefit must be proportioned to capacity; capacity being measured by fitness for the conditions of life. On no other plan could the evolution of higher types of life from lower types have taken place, than that among adults the well-fitted shall profit by their fitness, and that the ill-

fitted shall suffer through their unfitness. To see the absolute truth of this proposition, it needs but to imagine a species in which benefits were proportioned to inefficiency. In such case inferior would habitually survive superior and leave a greater number of progeny of like unfitness. A gradual retrogression would result, until the species, becoming less and less adjusted to the conditions under which the lives of its members must be carried on, would be exposed to universal suffering, ending in extinction.

When, on the other hand, the more efficient experience the benefit of their efficiency, and the less efficient suffer the penalty of their inefficiency, the progeny of the more efficient, inheriting more or less of this better adaptation, will gradually displace that of the less efficient. The species as a whole will gradually become better adjusted to the conditions under which the lives of its members must be carried on, and an increase in the aggregate sum of happiness must result, as well as the tendency to still further change with changing conditions, on which depends the evolution of higher types.

The survival of the fittest thus ensures that the faculties of every species tend to adjust themselves to the conditions under which the lives of its members must be carried on. It must be the same with men ; with faculties which are termed moral as well as with those which are termed physical. From the earliest times, societies composed of men whose feelings and conceptions were congruous with the conditions to which they were exposed, must, other things being equal, have multiplied faster, and must have displaced those whose feelings and conceptions were incongruous with their conditions. Congruity, more or less, of individual nature to the conditions of social life, therefore, is the essential condition of human existence in the social state, and that society will experience the greatest aggregate sum of happiness and will survive all others, the average nature of the members of which is most congruous with the conditions of social life. In order that this highest average congruity may result, those whose nature is more congruous must, on an aver-

age, survive those whose nature is less congruous, and the former must rear a greater number of similarly adapted children than the latter. In no other way can this gradual adjustment and ultimate complete adaptation be achieved. Not only the present, but still more the future happiness of mankind, therefore, depends upon compliance with the law, that every adult shall experience the consequences of his own conduct; that the more efficient shall reap the advantage of their efficiency, and that the less efficient shall suffer the disadvantages of their inefficiency.

The laws governing the distribution of wealth in the social state, therefore, are, first, that all individuals shall enjoy full and equal opportunities for the exercise of their faculties in the production of wealth; second, that each of them shall possess all the wealth which the exercise of his faculties may produce from such equal opportunity. Not equality of wealth, as Socialism posits, but equality of opportunity and inequality of resulting wealth is thus the social condition which justice imposes.

The law here set forth may seem repulsive to persons who, much affected by suffering which they actually witness, are indifferent to all other suffering. Nevertheless does the highest altruism demand conformity of general conduct with its dictates. Private beneficence may advantageously smooth its hard edges; may in many ways soften the inevitable suffering of the inefficient, the less efficient, as well as of the more efficient when occasionally overtaken by misfortune. But a general departure from the law would be unethical in the highest sense. For a people which in its corporate capacity abolishes the natural relation between efficiency and reward could not possibly survive. Either it will expose itself to the miseries and unhappiness of slow decay, or it will be conquered and absorbed by a people which has not undermined its efficiency by the policy of fostering the survival of its inferior at the expense of that of its superior members.

Suffering is the inevitable concomitant of man's as yet imperfect adjustment to the social state, and the only means by which a more perfect adjustment and consequent

increase of happiness can be achieved. If mal-adjustment were not productive of unhappiness, or if it produced happiness, man's nature could not evolve into greater congruity with the requirements of social life.

Moreover, incapacity causes unhappiness to the incapable, directly through overtaxing deficient faculties, and indirectly through non-fulfilment of certain conditions of welfare. Conversely, capacity brings corresponding happiness to the capable, directly through easy and complete performance of tasks, and indirectly through the fulfilment of conditions necessary to welfare. Not only self-happiness, but other-happiness as well, is furthered by capacity and hindered by incapacity. The healthy, capable man, overflowing with joyful energy, spreads happiness around him through sympathy with his mental state. Finding self-maintenance easy, he can still further add to others' happiness by altruistic acts. The incapable man, on the other hand, whose faculties are overtaxed and whose spirits are depressed by non-success, becomes a source of depression to all around him, and is less capable of furthering others' happiness by altruistic acts.

In the social state all members suffer from the incapacity and profit through the capacity of any of them. Deficiency of labouring power, physical and mental, results in a smaller aggregate of produce and in a consequent reduction of the share available for each. Exceptional labouring power, especially mental power, on the other hand, increases the aggregate produce, not only by the additional production of the more capable, but by increasing the productive power of less capable members as well. Organisation, inventions, discoveries, are all the work of the more capable, but add to the productive power of many.

Other defects of some individuals similarly reduce the productiveness of the labour of many. Selfishness produces friction; dishonesty entails the waste of labour in supervision and other precautionary employments; both defects thus reducing the aggregate produce of the general labour.

In addition to the negative evils caused by incapacity,

there arise positive evils as well. Paupers, hospital patients, and lunatics must be maintained, who consume without producing, as also the widows and orphans of those who, through weakness of constitution or intemperate habits, die early. Without further prosecution of this argument, it will be apparent, that the happiness of every member of the social body is raised by increase in average capacity, intelligence, and conscientiousness, and that every reduction in the average of these qualities lowers the happiness of all.

One further result of selfishness, however, may yet be alluded to. The selfish person, missing the pleasures derived from altruistic emotions and actions, fails to experience the greatest and most enduring happiness, while suffering positive unhappiness when, during his more advanced years, selfish pleasures pall. On the other hand, those whom altruistic sentiments prompt to corresponding acts, thence derive positive happiness, while escaping much unhappiness. That others' happiness is likewise furthered by those possessing altruistic natures and hindered by those possessing selfish natures, needs no proof.

It follows that the aggregate sum of happiness in the social state is dependent upon the aggregate adjustment of the society to the condition imposed by that state. These causes, however, extend beyond any one generation. Parents having vivacious minds and vigorous bodies are likely to transmit like sources of happiness to their offspring, while unhappiness is entailed upon the progeny of parents having feeble minds and impaired physical constitutions. The emotional organisation which prompts to altruistic acts is similarly transmitted from parents to offspring, and with it the happiness to which it gives rise. Likewise selfish, licentious, and dishonest parents are likely to transmit similar natures to their progeny. Future generations, therefore, are largely dependent for their happiness upon conditions transmitted from the present generation. Hence, social acts which further the multiplication of those less adapted to the social state lessen the aggregate of present and future happiness; social acts which, in due degree, further the multiplication

of the better adapted increase the aggregate of present and future happiness. The former, therefore, are unethical, the latter ethical; and the law that adults take the consequences of their own nature and that their progeny, inheriting, on an average, like natures, also take such consequences, tends to raise the aggregate sum of happiness by furthering the multiplication of those capable of experiencing and conferring most happiness, and hindering the multiplication of those less capable of experiencing and conferring happiness.

One more consideration must be alluded to. If it is admitted that men's nature is changeable under changing conditions, every proposal affecting social conditions must be examined with regard to its tendency to further or hinder progress towards the highest social conditions, and the correlative development of the highest human nature. Social conditions which, exempting men from the consequences of their own acts, withdraw the stimulus which the knowledge of such consequences supplies, must hinder the evolution of men's nature in the direction of this final goal. Disassociating reward from service rendered, they hinder the growth of the sentiment of justice, which, contrariwise, is furthered by the daily association of reward with service arising from free contract. Inflicting injustice upon some, in order that undeserved benefits may be given to others, it hinders the development of altruistic sentiments in both directions. The development of mankind towards the highest physical, mental, and moral condition is, therefore, dependent in two ways upon the State abstaining from any general interference with the law, that every adult shall reap the consequences of his own acts: first, because the action of this law furthers the modification of men's nature in this, the highest direction; second, because it ensures the multiplication of those possessing such modifications, ultimately making the latter permanent and general acquisitions.

The faculties and emotions which make for efficiency in the social state, while partly identical, are partly different from those which make for efficiency in the sub-human and savage states. Parental and marital affections and

the sacrifices to which they prompt, alike in kind though differing in degree, make for efficiency in both states. Such traces of the sentiments of justice and beneficence as may be observed among higher animals, add to their efficiency, while in the social state these same sentiments highly developed are an essential condition of efficiency. For co-operation is furthered not only by the disapproval of aggression which the sentiment of justice implies, but also by assistance being voluntarily rendered without the expectation of an equivalent.

The greatest difference, however, arises from the fact that while animals, and to some extent savage men as well, are restricted to such food as nature produces spontaneously, man in the social state produces his own food and other means for the satisfaction of desires, and produces them co-operatively. This co-operation in satisfying desire, whether it consists of the division or combination of labour, co-ordinates efficiency with service. Whoever produces anything which enters the circle of exchanges renders a service to all other men, making it easier for all to satisfy their desires, not only the desires for this particular thing, but for all things. The efficiency of any individual for the social state, therefore, largely depends upon his possession of faculties enabling him to render services to others through the effort to sustain himself, and upon the emotions which prompt him to render such services adequately. Capacity, industry, honesty, enabling and prompting their possessors to direct their self-sustaining labours towards rendering greater services to others than are rendered by those who are less capable, less industrious, and less honest, must be accompanied by greater rewards than those others receive, if the whole community is ultimately to become more honest, capable, and industrious. The self-sustaining faculties and emotions purely egotistic in the sub-human and savage state, thus become partly altruistic in the social state. In the former they enable their possessor to survive and leave progeny at the expense of others; in the latter they enable him to do so while aiding others. Nature is "red in tooth and claw" below the social state; within that state she com-

pels men to achieve the advantage of self by conferring advantages upon all others.

These considerations leave no doubt as to what is the clear and imperative duty of the State with regard to the distribution of wealth. For they show that any action of the State in the direction of equal distribution, demanded by Socialism, would be socially deleterious, because it deprives the more efficient members of the State of their due reward, in order to hand it over to the less efficient. Constituting non-compliance with one of the natural laws in obedience to which all life has evolved, the law that adults take the consequences of their own natures and acts, it inflicts upon society the penalties which such disobedience inevitably entails. Gradual adjustment to the necessary conditions of social life being prevented by the survival of the less efficient and less congruous, progress towards a higher social state and towards a higher type of human nature ceases. The suffering entailed by existing mal-adjustment is perpetuated and the attainment of a greater sum of aggregate happiness is prevented, with the ultimate result, that a society thus made stationary, if not retrogressive, must be supplanted by societies in which conditions favourable to further evolution are maintained.

The reluctance to accept these conclusions arises largely from existing interferences of the State with the law that every adult shall reap the consequences of his own acts, through the creation of legal privileges, especially private ownership of land, and the consequent absence of equal opportunities for all. The monopoly of opportunities by a few, rendering nugatory the efforts of many whose natures are better adapted to the conditions of social life, prevents them from leaving a due number of children; while the owners of these opportunities, though they may be less adapted, are by their possession enabled to rear a larger number. Further, the acquisition of special privileges is furthered by unsocial qualities, such as cunning, dishonesty, and greed, while their possession and inheritance confer reward without service or adequate service rendered, and thus still further disturb the natural relation.

Under existing conditions, therefore, reward being largely severed from service rendered, the survival of the socially fittest is disturbed, and many, socially less fit than others, nevertheless survive, and leave a greater number of descendants. These facts, however, so far from contradicting the general theory and the conclusions based thereon, tend to their confirmation.

Moreover, the disappearance of the less fit from existing societies is nevertheless proceeding at a comparatively rapid rate. Public opinion, tending ever to become more healthy and exacting of compliance with higher ethical standards, represses unsocial conduct. Discourtesy, dishonesty, untruthfulness, laziness, cruelty, sexual misconduct, and drunkenness are visited with strong social disapproval; while courtesy, truthfulness, honesty, mercy, beneficence, application, and self-restraint excite more and more approbation. As a consequence, unsocial conduct is discouraged and social conduct encouraged; social sentiments are strengthened, and unsocial sentiments weakened. Hence heredity is modified by practice; the unsocial sentiments are weakened in their possessors, who transmit more adapted natures to their children than they themselves inherited, causing the gradual disappearance of such unsocial natures in a few generations.

On the other hand, those whose unsocial tendencies are too strong to be repressed by the general sentiment, tend to die out. The self-indulgent, the drunkard, and the profligate, as well as the criminal classes, leave few children. Though many children are born to many of them, they mostly die in infancy or adolescence, partly through want of due parental solicitude, partly through the inheritance of enfeebled constitutions. The surviving children, inheriting like tendencies, also leave few children, and in a few generations the strain has ceased to exist.

Under conditions of social justice, when no legal monopoly-rights exist, the disappearance of the unadapted, however, would be far more rapid. Reward being apportioned to service rendered, the artificial disturbance of the survival of the fittest would terminate. Qualities which now, by the acquisition of legal mono-

polies, lead to the acquisition of fortunes and power, would not benefit their possessors, and would therefore tend to disappear. The comparative equality of possessions, and disappearance of involuntary poverty, creating a more homogeneous society, would add to the force of public opinion, and make that opinion still more exacting of ethical conduct. At the same time the temptation to unethical conduct, arising on the one hand from excessive riches, on the other from poverty, especially from poverty in city slums, would be materially lessened by the scarcity of either condition. All these forces would unite to the modification of inherited tendencies in the direction of gradual and better adaptation to the conditions of social life. The remainder—individuals endowed with such unsocial natures that these influences would fail to modify them—would be comparatively few, and their disappearance would, therefore, be still more rapid. The more efficient would still receive the reward of their greater efficiency, and the less efficient would still suffer for their inefficiency. But as the differences in efficiency would be lessened by raising the social efficiency of the great majority, the suffering would be comparatively slight, and the time would be materially hastened when, all mankind being approximately adapted to the requirements of social life, unsocial conduct and consequent suffering would disappear.

The foregoing examination shows that the distributive proposal of Socialism is in the highest degree unethical and disastrous to the present and future wellbeing of mankind. An examination, in the light of evolutionary experience, of the reasons by which the exponents of Socialism support this proposal, shows them to be as futile as they are crude. These reasons will now be dealt with in the sequence in which they have been enumerated in Part I. chap. iv.

The first of these is the allegation, that under the far-reaching co-operative processes of to-day, it is impossible for competition to ensure to every co-operator a reward commensurate with the services rendered by him.

It is true that, under existing conditions, competition fails to assure to each co-operator in the co-operative

system of production a reward accurately proportioned to the services rendered by him. This failure, however, obviously does not justify a proposal which aims at the absolute severance of reward from service rendered. On the contrary, it imposes upon society the duty to remove those interferences with the action of competition which, causing it to be one-sided, prevent its tendency to proportion reward to service coming into full play. What these interferences are, has been pointed out in Part II.

The second line of reasoning is based on the conception, that "the special ability or energy with which some persons are born" is the result of ancestral evolution, and, therefore, a social product which, as such, belongs to society as a whole.

Not only the special energy and ability of some, but all the faculties and emotions of every individual, are the result of ancestral evolution. The claim, founded on this consideration, that the results of the exercise of special ability and energy, the so-called "rent of ability," belong to society, overlooks several important facts. The first of these, elaborated above, is, that by delaying, if not preventing, the rearing of a more numerous progeny by those possessing special ability and energy, it is detrimental to the further evolution of all members of society in this direction. The other is, that special ability and energy as such produce no results, not even any "rent of ability." In order that such results may be produced, these qualities must be used productively. When so used they not only benefit their possessors, but, under just conditions, all other individuals as well. The aggregate sum of happiness, therefore, is increased in two ways by the exercise of special ability and energy: first, in the greater happiness which their exercise brings to their possessors; second, in the greater means to happiness which it places within the reach of all others as well. The incentive to the exercise of these qualities is the special reward which it brings to their possessors. If that reward is withdrawn, as by equal distribution it would be withdrawn; if it is made as well to be inferior as to be superior, the exercise of special ability and energy will be discouraged, and the happiness

not only of their possessors, but of all other men as well, will be diminished.

Moreover, to compare the increased reward derived from the exercise of special ability with the so-called "unearned increment" of rent is merely another proof of the radically defective analysis of economic facts habitual to socialists. For while an increase of rent comes to the owners of land without any service rendered by them, and as a deduction from the total result of the social product; any increase in reward derived through the exercise of special ability is dependent, under natural conditions, upon additional service rendered by the possessors of special ability, which service adds more to the social fund than the reward amounts to which those who render it can possibly receive.

The third argument is, that the reward which any one receives "depends entirely upon the desires and needs of others for his services"; the value of the services, being thus a social product, belongs not to him who renders the services, but the society.

It is undoubtedly true that the power of every individual to supply his wants in the co-operative industrial society depends mainly on the desire of others for his services. But the conclusion to which this fact points is not that he must be deprived of the reward which these others are willing to give him for his services. On the contrary, as the satisfaction of their desires for his services enhances their happiness, he who renders these services is entitled to a reward commensurate with the happiness which he confers. It is the expectation of this reward which stimulates his efforts to render services, *i.e.* to confer happiness; and it is this reward which, enabling him who renders greater services than others to rear a greater number of offspring, will ultimately increase the services rendered by all. To deny a greater reward than the average to him who confers more than the average amount of happiness by his services, in order to increase the reward of him who confers less than the average amount of happiness by his services, must, therefore, reduce the aggregate sum of present and future happiness.

The fourth and last line of argument is that adopted by Mr. Edward Bellamy, and consists of the following reasoning : Society as such enormously increases the productive capacity of every man, and, therefore, all the produce of every man's labour, and not merely the addition due to his participation in social advantages, belongs to society and not to the producer.

The way in which this apparently illogical contention is arrived at is shown in the following quotation :—

" This analysis of the product of industry must needs stand to minimise the importance of the personal equation of performance as between individual workers. If the modern man, by aid of the social machinery, can produce fifty dollars' worth of product where he could produce not over a quarter of a dollar's worth without Society, then forty-nine dollars and three-quarters out of every fifty dollars must be credited to the social fund to be equally distributed. The industrial efficiency of two men working without Society might have differed as two to one—that is, while one man was able to produce a full quarter-dollar's worth of work a day, the other could produce only twelve and a half cents' worth. This was a great difference under those circumstances, but twelve and a half cents is so slight a proportion of fifty dollars as not to be worth mentioning. That is to say, the difference in individual endowments between the two men would remain the same, but that difference would be reduced to relative unimportance by the prodigious equal addition made to the product of both alike by the social organism." [1]

The fallacy in this reasoning is so clear that he who runs can read it. The existence of the social organism increases, according to the hypothesis, the value of one man's work from twenty-five cents to fifty dollars. Does it necessarily increase to fifty dollars also the value of the work of him who only produces half as much ? If, for instance, one man makes one pair of boots a day, while another man produces two pair of boots in the same time, does the social organism increase the value of the one pair of boots to exactly the level of that of the two pair of

[1] *Equality*, p. 81.

boots? If not—and it will be admitted it does not; that, on the contrary, the two pair of boots are worth exactly twice as much as the one pair under any given social conditions—it follows that the social organism does not make an "equal addition to the product of both alike." In the given case, therefore, Society increases the value of the one man's work from twelve and one-half cents to twenty-five dollars, and the value of the other man's work from twenty-five cents to fifty dollars. By appropriating the product of the labour of both, Society, therefore, does not extend approximately the same treatment to both of them, but the inequality of treatment thus meted out is of immense importance.

For it is clear that neither the one pair nor the two pair of boots would have had any existence but for the use which each of these men made of the social organism by the exercise of their labour. Not to the social organism, therefore, but to the exercise of their respective abilities, must the existence of the boots be attributed. The social organism is merely an opportunity which all must use for the fructification of their efforts. The extent to which each does use it depends upon his own capacity and sentiments. The greater use any one makes of this opportunity, the greater is the service which he renders to Society. For Society to appropriate the result of the use which any one makes of social opportunities is therefore unjust and unwise. All that Society may and must do is, to see that these social opportunities are equally open to all, leaving to each the full reward which his use of such opportunities may bring to him.

Moreover, the statement that Society is the only heir to the inheritance of intellect and discovery, is only true with regard to one of its parts. Intellect is a personal attribute as much as speed, imagination, muscular strength, or a good digestion. Like intellect, all these faculties are the result of the ancestral struggle for existence and consequent better adjustment to the conditions of life. If intellect is a social inheritance, all these other attributes, a good digestion included, are also social inheritances. Yet, like intellect, these faculties cannot be exercised by Society,

but by their individual possessors alone. They, therefore, are not social inheritances, in the only sense which such a statement conveys, that they are common possessions to which all are equally entitled. They are, on the contrary, individual inheritances to which the individual alone can claim a right, and which no one but the individual who has inherited them can use.

If, on the other hand, the idea intended to be conveyed is that the result of the exercise of intellect is a social inheritance, the idea is negatived by the same considerations which were found to invalidate the similar claim made with regard to the result of ability and energy.

It is, however, different with discoveries. Discoveries, inventions, and additions to knowledge are only temporarily individual possessions, and ultimately become social possessions and a social inheritance. The individual making a discovery or invention, or acquiring a new knowledge, does so by utilising antecedent discoveries and knowledge, the accumulated product of all past generations. We all stand on the shoulders of our predecessors; can reach higher than they could reach, because the knowledge transmitted to us by them places us on a higher level. This accumulated and transmitted knowledge, however, is an opportunity open to all. The individual who, using this common opportunity, makes a further discovery or invention, or acquires additional knowledge, assumes no greater freedom than any other possesses. The new discovery, arising from the exercise of his individual faculty upon an opportunity equally open to all, is the exclusive and individual possession of the discoverer by the law that every one shall experience the results of his own acts. If he chooses to communicate the discovery, invention, or new knowledge to others, he is free to impose the terms on which he will do so, and any use of the discovery, invention, or knowledge by others, contrary to such terms, is a breach of contract, an undue interference with the law of equal freedom.

But just as all material products of labour ultimately merge again in the general stock of matter, so all new discoveries, inventions, and knowledge ultimately merge

in the general fund of knowledge. The individual having made the discovery or invention, or acquired the new knowledge, must die, and with him would die the result of his exertion unless it were adopted and preserved by other men of the same generation and of succeeding generations. The accumulation of discoveries and inventions, the fund of knowledge which any society possesses, is transmitted not by particular individuals to their descendants, but by previous generations to the present one, which in its turn will transmit it, enriched and enlarged by the efforts of its members, to future generations. This fund, therefore, is a true social or common inheritance. As such all are equally entitled to use it in the only way in which it can be used, viz. acquiring it or as much of it as they will or can by their own efforts as one of the common opportunities for the maintenance of life and the achievement of happiness. For this common opportunity cannot be monopolised as other common opportunities can, in the way that its acquisition by one will prevent others from acquiring an equal share. On the contrary, the more knowledge is acquired by any man, and the greater the number of men who acquire the fullest knowledge, the easier becomes the acquisition of like knowledge by others. In every case, however, the acquisition of knowledge can be achieved by individual effort alone. While, therefore, knowledge is a social inheritance and possession, yet all men cannot be entitled to equal knowledge, nor can knowledge be distributed among them unequally. What all are entitled to, what it is the duty of the State to bring about, is that all have an equal opportunity for the acquisition of as much knowledge as any of them may desire or can absorb.

Again it must be pointed out that the right of each to an equal opportunity with all others for acquiring knowledge does not involve any common right in the products, not even the material ones, which the acquisition of superior knowledge enables its possessors to produce. For knowledge, like intellect, ability, and energy, produces nothing; the application of knowledge alone leads to material results. The product resulting from the appli-

cation of superior knowledge, therefore, is in all respects subject to the same considerations as the product resulting from the exercise of superior intellect, ability, and energy; it is an individual possession to which Society can urge no claims.

With the exception of the first, all the reasons adduced in favour of social possession and equal distribution of labour-products suffer from the same defect. They all confuse the right of equal possession of desired things with the right of equal opportunities to produce desired things. The former is a spurious right, disregarding the essential conditions of life; the other is a true right, emanating from and congruous with the essential conditions of life. Ethics, therefore, utter the same condemnation of the distributive proposals of Socialism as we found Economics to do, *i.e.* that they are opposed to and destructive of the highest interests of mankind. Ethics as well as Economics show that there is only one true and beneficial system of distribution: the one which, founded on justice, leaves in the possession of every individual all the produce which the exercise of his faculties brings forth, or which others freely surrender to him as a gift or in return for services rendered to them, always provided that no one is granted a greater share than others in the common opportunities to produce or render services without his making full compensation to these others for any loss of opportunity which they may suffer in consequence.

CHAPTER VI

THE RIGHT TO THE USE OF THE EARTH

THE dry superficial area of the earth being the only medium through which external nature becomes accessible to man; being not merely his only foothold and resting-place, but also the means through which he obtains access to all the matter which he, through the exercise of his faculties, changes into objects fit to satisfy his desires and maintain his life,—it follows that freedom to use the earth is the indispensable condition for the exercise of man's faculties and the maintenance of his life. Hence the right to the use of the earth is a natural right, the denial of which involves the denial of the right to the exercise of any faculty, that is, the denial of the right to live.

The right of any one to the exercise of his faculties being limited only by the equal right of every one else, the exercise of any faculty being dependent upon the use of the earth, it follows that the right of any one to use the earth is limited only by the equal right of every one else. The natural right to the use of the earth, therefore, is an equal right, inherent in all. If there were only one man upon this earth he would obviously be free to use the whole earth; the right of any second man to do the like must be equal to that of the former. Nor can further multiplication bring about any change in this relation. Of all the millions inhabiting the earth to-day, each is free to use the whole earth or any part of it, provided he infringes not the equal right of any other man. And conversely, it is equally true that

no one of them may so use the earth as to prevent any other from similarly using it. For to do so implies a claim to greater opportunities for the exercise of his faculties than others can enjoy.

The earth, therefore, is the common property of all men — the common property of all now living men, subject to the equal rights of all succeeding generations. For just as the human beings now living are dependent upon the use of the earth for the exercise of their faculties and the maintenance of their lives, so will succeeding generations of men be dependent upon the same condition for the maintenance of their lives. A baby which will be born to-morrow or next year or a century hence, therefore, will have, in its turn, the same right to the use of the earth as any one now inhabiting the earth. No arrangements made, even with the consent of all living men, can deprive any member of any future generation of his or her equal rights to the use of the earth. Likewise no arrangements made by past generations, even if all their members had consented to them, can deprive any one now living of his equal right. For every such arrangement, if enforced, would offend against the law of equal freedom, would deprive some of their right to an equal opportunity for the exercise of their faculties and the maintenance of their lives; would run counter to the law, that each adult shall experience the consequences of his own acts, and would do all this at the dictation of some past generation, making them the masters of all subsequent generations.

Justice, therefore, condemns private ownership of land. For if one portion of the earth's surface, however small, may justly be made private property, then all portions may equally be made private property, and consequently the whole earth may be made the private property of some men. As private property of any portion of the earth involves the right of exclusive use of such portion, the private ownership of the whole earth likewise involves the right of exclusive use of the whole earth. All non-landowners, under this condition, would have no right to the use of any part of the earth, would have no right to live upon it. Being here on sufferance only, being

dependent upon the permission of the landowners for an opportunity to maintain their lives, the landowners may deny them such permission without any infraction of justice. As mere trespassers on the earth, the owners of the earth may justly hunt them off the earth, *i.e.* condemn them to immediate death. If, then, the whole earth can justly be made private property—a proposition involved in the claim that a part of it may be made private property—the law of equal freedom is denied. For even if the owners of the earth were habitually to permit of its use by all others, the latter would have no right to such use—would be dependent upon such permission for the exercise of their faculties and the maintenance of their lives. Obviously, those who are dependent upon the permission of others for the exercise of their faculties and the continuance of their lives, cannot have equal freedom with these others. On the contrary, the others are absolute masters, and they are slaves without any rights.

Though the whole earth has not yet been made private property, the most valuable parts of the earth have been so appropriated. As a consequence vast numbers of human beings in every civilised country are deprived of their equal right to the use of the earth, are dependent upon the permission of others for the use of any opportunity to exercise their faculties and maintain their lives. The conditions which would arise if the whole earth were privately owned have actually arisen in civilised countries through the private ownership of all the land of such countries. For though elsewhere there is yet land not privately owned, it is too distant or too little productive to enable the majority of non-landowners to escape from the conditions prevailing in their country. In every civilised country the majority of the non-landowners, therefore, are deprived of their right to use their faculties for the maintenance of their lives, while amongst the landowners themselves there prevails the greatest disparity of right. A few, owning more or less extensive areas of valuable land, enjoy opportunities far in excess of what equity could assign to them; the majority, owning small areas of little value, enjoy opportunities of less

extent than equity would assign to them. What justice requires, the recognition of the right of all to equal opportunities for the exercise of their respective faculties, is absolutely denied in all civilised countries.

This denial of justice, this abrogation of fundamental rights, has arisen, exists, and continues to exist, not in spite of the State, but through the direct action of the State. As will be shown in the next chapter, the State, by a consistent course of force and fraud, has created private property in land, and now maintains it by force. Were it not that police and soldiers are ready to enforce the claims of private owners, the institution of private ownership could not maintain itself. Men cultivating or otherwise using the land would not for long continue to pay others for the privilege of doing so, if the State did not force them ; still less would men, seeking for an opportunity to maintain their lives, allow vast areas of valuable land to remain unused while they must starve.

The State, therefore, is not merely guilty of neglecting one of its fundamental duties in allowing private property in land to continue ; it commits the positive wrong of maintaining this unjust condition. Yet, as it is the primary duty of the State to maintain justice, to prevent any infringement of the equal rights of all its members, the State is bound to frame and enforce regulations which will safeguard the equal right of every one of its members to the use of the national land. Nor would it be difficult so to do. The opportunity which any piece of land offers for the exercise of faculties is measured by its value ; the product of the exercise of faculties on any piece of land is measured by the value of such produce minus the rental value of such land. The land offering the least valuable opportunity which must be used, having no rental value under natural conditions, the rental value of all superior land is the measure of the superior opportunity inhering in it. The State, taking for common purposes the annual rental value of all land, would equalise all natural opportunities and maintain the equal right of all to the use of the land. All would have an equal opportunity to use any part of the land, and those who obtained the privilege

of using superior opportunities would pay full compensation to all others for the special privilege accorded to them.

An illustration will make this clear. A father leaves to his three sons, in common, property consisting of three houses of unequal value. Each of the sons wants to inhabit one of the houses, and the question arises, how is the common right of all three to be maintained while according to each the use of a house. They decide the issue in this way. Each of them makes an offer of what rent he will pay for the use of one or more of the houses. When the offers are compared, it is found that the highest rent offered for the largest house is £150, and is made by the eldest. He, therefore, is accorded the use of this house. The next eldest offers the higher rent for the second house, £100, while the youngest son has offered a rent of £50 for the smallest house. They are, therefore, granted the use of these respective houses. The rent for the three houses, £300 in all, is placed in a common fund, and is equally divided between the three, each of them receiving £100. Obviously this method safeguards the equal right of all of them, without any interference with the freedom of any.

That the equal right of all the members of the State to the use of the land may be similarly safeguarded, that such a system may be carried out without any interference by the State with the individual use of land, and while fully maintaining the individual ownership of any improvements placed on the land, will be fully shown in Part V., when dealing with what is known as the Single Tax proposal. For the present purpose it suffices to have shown that justice cannot recognise any private property in land, and imperatively demands that the State shall restore to every one of its members his natural inherent and equal right to the use of the earth.

CHAPTER VII

THE ETHICS OF PROPERTY

THE sense of proprietorship exists to some extent in the animal world. Squirrels and badgers have their hoards; dogs defend articles left in their charge, and bury bones for future consumption; and many animals, like the dogs of Constantinople, resent the intrusion of members of their own species into the quarters which they regard as their own, or belonging to their special troop or herd. It is, therefore, not surprising that a like sentiment exists even among the most primitive of men, though in a similarly rudimentary form.

The conditions of savage life cause the proprietary sentiment to be indefinite and restricted. Deficient in imagination, savage man has no adequate consciousness of the future and its recurrent wants. The stimulus to industry, therefore, being weak, there goes with it a similarly small development and consequent indefiniteness of the proprietary sentiment. The low industrial development causes this partially developed and indefinite sentiment to be confined in extent. Beyond his arms and a few rude appliances the savage has nothing that can be accumulated. Under these circumstances he cannot have a clear or extensive consciousness of individual possession. For, like other sentiments, that of proprietorship depends for its development upon the experience, continued through many generations, of the gratifications which possession brings. Where the conditions of life restrict these experiences the sentiment must remain correspondingly weak.

Nevertheless, even amongst the lowest savages, indi-

vidual property is claimed in arms, in personal decorations, frequently consisting of relics of conquered enemies, and in such appliances as minister to bodily wants and are capable of repeated use. As we ascend in the scale, other things, such as skins, huts, utensils, clothes, and others similarly adapted to recurrent use, are seen to be private property, while the hunting-ground, in which no individual claims can be marked off, is regarded as the common property of the horde or tribe.

When animals become domesticated and give rise to pastoral life, and still more when agriculture is combined with it, the field over which private possession can extend is greatly enlarged. A further extension is made possible when exchanges arise, first in the form of barter, and subsequently in the more definite form of sale and purchase.

This extension of the area of private proprietorship is accompanied by a greater definiteness in the correlative sentiment. During the hunting stage every member of the horde helps himself freely to any game killed by one or more individuals, though not infrequently the right of the successful hunter to choice parts, skin and horns, is recognised. No method of preserving meat being known, and game being frequently too large to be consumed by one family before it becomes unfit for use, this form of joint proprietorship is imposed by natural conditions. Similarly in the pastoral stage, the absence of money and market values makes it impossible to assign to every member of the patriarchal family and to its dependents such parts of the produce of the herd or of the herd itself as is proportionate to the labour expended by each. Hence all property is centred in the hands of the patriarchal housefather, who assigns to every member of the household as much of it as he, guided by ancient custom, deems fitting.

When the patriarchal group settles down to agricultural pursuits, reverence for ancient customs, strengthened by the worship of ancestors whose commands are supposed to be embodied in these customs, as well as the necessities of mutual defence, combine to maintain the system of joint production and joint consumption. Exposed to constant

aggression, no individual, separated from his kindred, would be able to maintain his life or keep any property. Nevertheless, differentiation soon begins within the communal group. Each person establishes individual ownership in things on which he has expended separate labour, in things which he has acquired in exchange for the products of his separate labour, and in things which his individual prowess has won from an enemy. Nevertheless, the greater part of every individual's exertion being directed, in co-operation with those of others, towards common production, the principal product of each individual's labour is enjoyed in common with these others. Compensation for injury suffered by any member of the group is similarly a joint possession of all those who are under the obligation of the blood-feud, though there can be little doubt that, when the character of the things given in compensation allowed of it, they were generally divided among the members of the group.

As soon, however, as greater external safety makes the shelter of the family group of less importance, while growing commercial intercourse and increasing differentiation of pursuits multiply the opportunities for acquiring individual possessions, an external differentiation begins. For the communal system bore within it from the first a cause of dissolution ready to operate as soon as the conditions of life allowed of it. The more restless and independent of its members must always have chafed at the restrictions placed on their activities, while the more industrious and skilful must have felt the injustice of the idle and unskilful taking equal shares with themselves. These, therefore, avail themselves sooner or later of favourable conditions which enable them to leave the house or village community, which ultimately dissolves and divides its property amongst its members. Private ownership begins thus gradually to supplant joint ownership in all the products of labour as soon as the conditions which impose joint ownership are withdrawn. Each individual claims full and exclusive possession and property in the produce of his own exertions, in obedience to the law, that each adult shall experience all the consequences of his own acts.

The origin of proprietary rights in things which are not the produce of labour must now be alluded to. The primitive savage, in whom the sentiment of justice is as yet but little developed, regards his wife and children as his absolute and exclusive property. He may kill them or sell them into slavery without fear of incurring the disapproval of his fellows. Reverence for ancient customs, ancestor worship, and the acquisition of wives by purchase or capture tend to prolong this subjection, so that it is found even in comparatively civilised communities, such as China.

As the greater physical strength of the male leads to the establishment of proprietary rights in women and children, so greater prowess in war establishes property rights over the persons and possessions of conquered enemies. Though there are some contributory causes of later origin, war is the primary as well as the more general cause of property in slaves and of private property in land.

In the absence of any greater industrial development than is possible during the hunting stage slaves are almost useless, and, where game is scarce, a disadvantage. Savages, therefore, rarely make slaves of their captives; they either kill and eat them, or, in rare cases, adopt them into the tribe. Slavery gradually supplants cannibalism as the pastoral and agricultural stages are reached, and, finally, becomes a settled institution. For tribes who use their captives as producers, while their men are all warriors, have a great advantage over tribes which, killing their captives, can only bring a part of their men into the field. The conquest and displacement of the more savage and ferocious by less savage and ferocious tribes has thus been furthered by slavery.

As, however, decrease of military activity, lessening the number of deaths by violence, leads to an increase in the number of native men, while at the same time the slave-class is less frequently increased by fresh captives, some of the free population must take part in industrial activities. When, through private ownership of land, free labourers become disassociated from the soil and are forced to sell their labour to others for little more than sustenance,

slavery tends to disappear. For in the competition between free labour and slave labour the latter is invariably found to be the weaker. In relative interest, intelligence, and energy the free labourer is far superior to the slave labourer, and, therefore, the more profitable productive agent. This economic cause, tending to produce the disappearance of slavery, is ultimately assisted by the developed sentiment of justice in causing the abolition of slavery, even where, as in domestic service, the economic cause, by itself, would not be active.

In the hunting as well as in the pastoral stage the participation in the use of the land must be a joint participation. The hunter must be free to follow his game, and herds must be driven from place to place as the seasons and the state of grass and water dictate. When, with the agricultural stage, the individual use of particular areas of land becomes possible, many circumstances delay its adoption. Traditional usage, sanctified by ancestor worship, has formed sentiments inimical to change. Impossibility to fence off large areas plays a restraining part, and the absence of any knowledge of manures compels the frequent shifting of cultivated areas through exhaustion of the soil.

Hence, throughout long stages, land is not only owned jointly by the family, village, or tribe, but it is even used jointly. Even when joint use of agricultural land is abandoned, and when, through greater fixity of structure, a house lot is used for a long time by the same family, this individual use of land fails to establish individual ownership. As soon as the crop is taken off, or planted trees have died, or the house disappears, the land reverts to the community, and agricultural land is subject to reallotment at more or less regular periods. As a typical example, the Teutonic mark may be alluded to. The territory was owned jointly by the whole clan, composed of kindred families, every freeman having the right of use to some arable land, as well as to meadows, pastures, and wood. All but the arable land was used in common, and the latter reverted to the same condition as soon as the crop was taken off, being then used as common grazing

land. Thus the right of each adult male member of the clan or village, permanent only as regards the actual homestead, was for the rest of the nature of a usufruct only, the ownership of all the land being vested in the collective body of free men.

Wherever common ownership of the land has terminated, force, either internal or external, has been the cause. Invasion and conquest give unlimited possession of the person and property of the conquered. Along with other spoils of war the land becomes a spoil, being henceforth owned by the conquering leader, chief, or king, and partly allotted by him to his followers, on conditions which, more or less effectively, preserve his supremacy.

Similarly, long-continued resistance to invasion, giving rise to those class distinctions which always accompany the militant state, enables the more powerful to appropriate part of the common property. The personal subordination, necessary in war, becomes permanent where warfare is chronic, and produces sentiments which lead to acquiescence in aggressions upon the common property. Such aggression, at first spasmodic, is converted into a State policy when the interests of the king induce him to endeavour to break up the village or clan organisation of society.[1]

Conquest and internal aggression are thus, everywhere, the causes of slavery and of the individual ownership of land. The private ownership of land, established by militancy, is, however, incomplete. Qualified in one direction by the right of the suzerain to customary services by the landholders, it is qualified in the opposite direction by the rights of sub-tenants and serfs to a share in the produce of the soil. In both directions a rent-charge

[1] "The great landowner is the creature of the State; the village group of farmers is not. The individual proprietor of a vast domain cannot maintain his position unless he can obtain the powerful assistance of the State Courts and the strong support of the military power. His interests conflict too evidently with the interests of those who serve him, and without whose labour his domain would be worthless. He is the favourite of the State, and every step of State progress is marked by a corresponding increase in his ranks. When the State extends its conquests into hostile lands it plants its faithful soldiers as landowners on the conquered soil. When it annexes the domains of the Church it distributes them among a new territorial aristocracy. When it finally breaks the power of the clan it converts the clan chief into a landlord. On the other hand, the clan and the household are older than the State, and utterly opposed to it in principle."—Jenks, *Law and Politics during the Middle Ages*, pp. 162, 163.

limits the ownership of the tenant-in-chief; that due to the suzerain being used, more or less faithfully, for common objects; that due to the sub-tenants and serfs being used for their private objects. Growing industrialism and decline of militarism afford the opportunity to the landholders, who, as the ruling class, are also either actual legislators or possessed of the greatest influence over legislators, to get rid of both limitations. Military obligations are at first exchanged for a money rent, for which, subsequently, a tax on the whole people is substituted. With the decline and ultimate disappearance of serfdom, and the substitution of money rent for obligations of service, the qualified rights of the sub-tenants and former serfs become obscured and ultimately terminate. The rent, at first fixed with due regard to their rights in the soil, is gradually increased as these rights fade from view, until at last, absorbing the value of such rights, it is equal, or even in excess, of the full value of the land. The absolute ownership of land by individuals, now existing, therefore, is a comparatively late development, having its root in conquest, force, or fraud.

Both the ownership of slaves and the private ownership of land thus stand on a different basis, and derive their existence from a different cause than the ownership of the products of labour.[1]

[1] "In the first place property in land is, in our opinion, the only form which serves as an instrument of control. 'Property' in movable goods should be distinguished from 'property' in immovable goods. What is there in common between the unlimited possession and free disposal of chattels and that juridical relation, in virtue of which a person may keep a piece of land exclusively for his own benefit? Yet for these fundamentally different conceptions the European languages use but one term, with consequent indistinctness and confusion of ideas in science.

"Common property (*Eigentum, proprium*) is a contradiction in terms; yet even separate or private 'property' has been discussed as a simple concept, and what might be true of property in movable goods has been applied without distinction to property in land, a very different thing. This is certainly a great mistake.

"To justify private property as the natural right of the individual to the fruit of his own exertions sufficiently explains property in movable goods, including the product of the land which a man's own labour has tilled, but does not explain property in land or in the fruit of another's labour; while to trace its origin to the actual possession of weapons, ornaments, etc., an attempt which Dargun has recently renewed, leaves a gap between movable goods and immovable which no analogy can bridge over, for they are totally different. No doubt individual property in movable goods has always existed, for the conditions of human life require it. But the conditions of property in land are quite different. Land is not the product of human labour, and its use is temporary; it can be occupied, detained, or possessed only in a limited and figurative sense; it might be possible to defend a small portion of land against trespassers; but it would be im-

It is the same with monopolies. Every monopoly created by the State, as has been shown, has for its basis a special privilege granted to some, which cannot be equally granted to all. The possession of such privileges gives to their possessors a twofold advantage over others. It gives to them a greater opportunity to exercise their faculties, greater freedom than others can enjoy; and it enables them to appropriate wealth produced by others without rendering equivalent service in return.

The distribution of wealth being an assignment of ownership, the principles which determine the distribution of wealth must also determine proprietary rights. These principles we found to be that all the members of the State are entitled to full and equal opportunities for exercising their faculties in the production of wealth, and that each is entitled to full proprietary rights in all things that his exertions produce. All forms of wealth being the joint product of labour and of external matter, rights of property must be governed by a combination of the laws governing individual exertion and the use of the earth. Labour, therefore, can give no right to wealth which is derived from a better natural opportunity than others are permitted to use. No man having a better right than any others to the use of the earth, the rights of all to use the earth are equal. Whatever wealth any man's labour extracts from natural opportunities which no one else wants, belongs to him and to him alone. But if more than one desires to use any part of land—that is, if the land have any value—the one who receives the privilege of using it must compensate all others for the special privilege accorded to him. For that any part of land is desired by more than one man, that it has a value, proves that it affords a better opportunity for making wealth, or confers some other advantage greater than is open to all. Society as a whole, therefore, is entitled to that part of

possible to defend the larger tracts, which alone are under consideration here. Property in land is not a physical fact, and cannot be explained by physical facts—occupation, labour, etc. To say that land is occupied or possessed, as is currently done, is to use a metaphor or a legal fiction. Land, by its nature, admits of only one relation to man, the enjoyment of its use, the common enjoyment of many."—Ludwig Gumplowicz, *The Outlines of Sociology*, pp. 114, 115.

individual labour-products which is due to the better natural opportunities used by any of its members, while each member has full proprietary rights in all that part of the produce of his labour which the same exertion would have produced if applied to the least productive opportunity which must be used by some men. The one is rent, a common property, to which all are entitled equally; the other is the product of individual exertion, to which each is entitled individually.

It follows that property in slaves, in land, and in monopolies is in reality an infringement of the right of property. For just as slavery deprives the slave of his individual property, so does the private ownership of land, giving to a few the rent which equally belongs to all, deprive the majority of men of their common property, and so does the private ownership of monopolies deprive all other men either of a part of the one or of a part of the other.

In addition to this direct infringement of "the sanctity of property," private ownership of land involves indirect infringements as well. These have been set forth in Part II. chapter viii., but the importance of one of them justifies its further exposition. The appropriation by the landlords of the common or social property compels the State to deprive its members of their individual property. In guarding the natural rights of its members, and performing the duties consequent thereon, the State incurs expenses. These expenses increase with every addition to the population, and with every increase in social integration and differentiation. This social growth, however, adds to the common fund, the rental value of land, out of which these common expenses can be met, by far more than it increases the necessary and legitimate expenditure. When, however, this common fund is appropriated by individuals, the expenses of the State must be met in other ways. That way is taxation, *i.e.* the State now deprives all its members of part of their individual property. The State having, by its own act, handed to individuals the common property of all, now infringes upon the individual property of each of its

members. To the theft of the common property, the theft of individual property is added.

The object of the State, the fuller ensurance of the equal rights of all its members, is defeated by the habitual curtailment of any of these rights. Nevertheless, occasions may arise when some or all rights must be temporarily curtailed, in order to ensure their permanent recognition. Such necessity may arise from external aggression. When the existence of the State itself is threatened, the State may, in so far as appears necessary, call upon all its members to risk their lives in defence of the common rights. Property being less important than life itself, the right to property is of inferior importance to the right to life—the State has still less cause to abstain from infringing the right to property. For purposes of defensive war, therefore, when the common property is insufficient to meet the necessary expenditure, individual property may be appropriated by the State, provided that the sacrifice of time, health, life, and property which the members of the State are called upon to make is in some manner equalised. Taxation of individual wealth, unjustifiable as an habitual measure in time of peace, may, therefore, become justifiable as a temporary measure for purposes of defensive war.

The false notions of proprietary rights engendered by the existing systems of monopoly have obscured even this truth. While some States rely upon voluntary enlistment even in time of war, others habitually practise compulsion, and in none is the right of the State to compel its members to sacrifice their lives in the common defence questioned. While thus claiming the right to infringe, or actually infringing, the equal right to life of some of its members, the State does not generally expect, nor compel a similar sacrifice of property. Instead of calling upon the owners of accumulated property to furnish the funds necessary for defence, the State generally borrows such funds from them, repaying them with interest out of the proceeds of taxation, which mainly falls, not on accumulated property, but on the labour of those classes which have borne the major part of the sacrifice of time, health, and life. The

masses of the people, from whom the bulk of the active defenders are drawn, are thus compelled to sacrifice the produce of their labour as well; while the owners of accumulated property, who generally take no part in the actual defence, sacrifice little or no property, and frequently receive back, apart from interest, a greater amount of wealth than they have lent to the State.

Property in things not produced by labour is a direct denial of the only true right of property, that in things produced by labour. All these forms of property—slavery, private ownership of land and of monopolies—are so many endeavours to enable some to live without labour, by the forcible appropriation of the produce of others' labour. Being, therefore, an infringement of the law of equal freedom, as also of the law that every adult shall experience the consequences of his own acts, they have no ethical basis, and are contrary to justice. Not till all these forms of invasion of property rights are abolished does the true right of property prevail. Nor can it prevail under Socialism. For Socialism also invades the valid individual property rights of many of its members, of all those who are more able and industrious, by handing over to the less able and industrious a part of the property of the former. For the injustice now prevailing it proposes to substitute another injustice, and must, therefore, perpetuate, though probably in slightly different forms, the evils now existing.

CHAPTER VIII

THE RIGHT OF FREE INDUSTRY

THE law of equal freedom has, as a necessary corollary, that every one shall be free to exercise such of his faculties as he pleases, and in such times, places, and manner as to him seems best, provided his resulting activities do not infringe the equal rights of others. Justice, therefore, cannot recognise any limitation upon or interference with the industrial and professional activities of men other than is necessary for the maintenance of equal freedom. Any action by the State or by individuals in this direction is an infringement of the right of equal freedom. "The right to labour," therefore, is a natural right, not in the sense in which Socialism uses the term, that the State shall provide work for all its members, but in the sense that it is the duty of the State to prevent an equal opportunity for work being denied to any one, and to abstain from interference with the amount, kind, and manner of work which any one elects to do.

Socialism, by entrusting the conduct of industries to the State, proposes to abolish this natural right, and thereby, depriving all or nearly all of freedom, would establish a virtual condition of slavery.

Slavery has existed under many and widely varying forms. The difference is great between the mild and patriarchal system of slavery as it existed in many pastoral tribes and now exists in Turkey, and that which, arising when slaves are bought and sold, leads to their treatment as mere working animals without any rights, such as existed in Rome and in the southern states of America.

Serfdom, the form of slavery arising from conquest, likewise exhibits widely different forms of severity, extending all the way from the mild form which it had assumed in Russia on the eve of its abolition to the extreme degradation of the Peruvians after the Spanish conquest.

What is it that, nevertheless, enables us to recognise all those widely varying conditions as states of slavery? In other words, which are the essential features which distinguish slavery from freedom? There are two and only two. One is the right of the owner to determine the time, place, and direction in which the slave shall exercise his industrial faculties; the other is the right of the owner to appropriate part or all of the product of the slave's labour. These two conditions, being the persistent concomitants of slavery from its mildest to its most severe forms, are the essential conditions of slavery. Where they exist slavery exists, and the question who inflicts the slavery, who is the owner, does not affect the issue. Slavery, therefore, may arise from subjection to one individual, or to an organised body of many individuals, the State—from the subjection of an insignificant minority or of an absolute majority; may be imposed by force or voluntarily assumed. The industrial proposals of Socialism, involving, as has been shown,[1] the determination by State officials of the time and place in which each member of the State shall carry on his industrial activities, as also what shall be the nature of the activities which each shall carry on, obviously deprive all of them of freedom and establish with regard to all one of the essential conditions of slavery. The distributive proposal of Socialism, depriving the more able and industrious members of the community of a part of the result of their labour, establishes, as far as they are concerned, the second essential condition of slavery. Socialism thus will inflict full slavery on many while inflicting partial slavery on nearly all the members of society. Its industrial proposals, therefore, again disregard the essential natural rights, the right of each to the freest and fullest exercise of all his faculties, limited only by the equal right of all others. Socialism, therefore, must reduce

[1] Part I. chaps. ii. and iii.

the aggregate sum of happiness because it disregards the conditions which alone can secure the greatest sum of happiness.

While the law of equal freedom thus forbids the conduct of industries in general by the State, it imposes upon the State either the conduct of particular industries or participation in their results. Such industries are all those which cannot be undertaken by an individual or body of individuals without a special privilege given by the State, a privilege which cannot be granted equally to all others. For the grant of such special privileges to some is in itself an infringement of the law of equal freedom, unless all have an equal opportunity of acquiring them, and unless those who are successful give full compensation to all others for the special privilege accorded to them. The same principle, therefore, which imposes upon the State abstinence from interference with industrial activities in which all can engage, also enforces upon the State the duty to conduct, or to frame equitable regulations for the conduct of, industries which rest upon special privileges.

Such industries, having been fully described,[1] need not be recapitulated here in detail. Suffice it to say that, consisting of railways, canals, tramways, roads, and bridges, as well as of the supply of water, gas, electricity, hydraulic and pneumatic power, all of them are dependent upon the grant of special privileges to the use of a continuous track of land of exceptionally high value. Involving the use of a specially valuable opportunity under a special privilege, it is an infringement of the right of equal freedom and equal opportunities to grant such privileges without adequately safeguarding the equal right of all others. Either such industries must be conducted by society itself for the equal benefit of all its members, or society when granting such privileges must attach to them conditions compelling the grantees to pay to the community the full annual value which such privilege may at any time possess, *i.e.* the full rental value of the land used for the special purpose in question. Which of these two courses is more

[1] Part II. chaps. iv. and v.

advantageous depends upon special circumstances; but the adoption of either would manifestly prevent the infraction of the law of equal freedom involved in the grant of more advantageous opportunities to some than others can enjoy.

The ethical line of demarcation between the industries which are beyond the interference of the State and those which are subject to the control of the State, thus coincides with the economic line of demarcation as drawn in Book II. chaps. iv. and v. Ethics as well as economics condemn the socialistic claim that all industries may rightfully be withdrawn from individual control and placed under collective control, just as they condemn the claim that all industries may rightfully be exempted from social control; enforce the claim that, while it is the duty of society to control those industries which involve the grant of special privileges, it is equally its duty to abstain from interference with industries for the conduct of which no special privilege is required.

Two objections may be raised against this conclusion. One is that non-interference by the State with unprivileged industries involves the abstention from punishing fraudulent promises and adulterations. The reply is, that both fraudulent promises and adulterations are breaches of contract, and, therefore, infringement of the law of equal freedom. In either case one party to the contract has failed to perform the service contracted for, while the other has done so. One, therefore, has assumed greater freedom than the other, has broken the law of equal freedom; and interference by the State, therefore, is not only justified but entailed by the same law which forbids general interference.

The other objection is, that the doctrine of non-interference involves the condemnation of factory legislation, such as the limitations placed upon working hours, the sanitary supervision of workshops, the enforcement of precautions against accidents. In one sense the validity of this objection must be admitted. For, however necessary and beneficial such legislation may be as a palliative of preceding injustice, it is nevertheless unjust in itself. The necessity for such interference with equal freedom arises

from antecedent interferences with the law of equal freedom. The State, in various ways, having given excessive power to capitalists by infringing upon the equal rights of the majority, has destroyed the power of the masses of the people to resist oppression, and is now compelled to place still further restraints upon freedom in order to reduce oppression.

Those who oppose such irrational remedies while defending the unjust conditions which give them temporary value are themselves acting irrationally. Nevertheless is it true that such limitations placed upon the freedom of workmen and capitalists alike, in order to counteract the excessive power acquired by capitalists, are unjust, and unable to permanently and completely remedy the evils which have caused their adoption. Such complete and permanent remedy can only be found in the restoration of equal freedom to all, which, restoring independence to the masses, would destroy the excessive power of capitalists, and therefore make unnecessary any limitation of it. Under conditions such as would arise from the recognition of justice, all having free and equal access to natural as well as to social opportunities, the competition between employers for workers would be as great as, or greater than, that between workers for employment. The workers being really, and not merely nominally, free to accept or decline employment, would themselves be able to insist upon proper conditions of employment. Just as now there is no necessity to interfere with the freedom of English duchesses or of the wives of American millionaires, to prevent them from working an undue number of hours and compelling their children to do so, so there would be no necessity to so interfere with the freedom of other women and children if they were really free. That necessity exists to-day because the negation of their equal right to the natural and social opportunities for the exercise of their faculties makes workers dependent upon the will of employers and robs them of the result of their labour. When these equal rights are restored to the masses of the people, when they can retain for their own use the wealth which their labour creates, men will not

consent to work under needlessly insanitary or dangerous conditions, nor will they compel wives and children to work prematurely and excessively. Even if there are some in which the sympathetic feelings are too dormant to restrain such selfish actions, the absence of the general custom of woman and child labour in factories would be a sufficient bar to their being put into practice.

The limitations on equal and full freedom embodied in such factory legislation, being made necessary by antecedent limitations of freedom, become unnecessary when these antecedent interferences are abolished. While they may be justified in the present pathological state of society, they cannot be justified when, through the establishment of justice, a physiological state of society has been achieved.

CHAPTER IX

INDIVIDUALISM

THE poverty of the masses of the people, as well as all other social and industrial evils which disgrace our civilisation, are attributed by socialists to an alleged "rampant individualism." Individualism, they teach, superseded the comparatively beneficent, though primitive, mediæval Socialism, and, substituting the will of the individual for the reign of State law, culminated in the degradation of the masses of the people, and the oppression practised by employers during the second half of the eighteenth and the first quarter of the nineteenth century. Its excesses have been curtailed since, and some slight alleviation of social injustice has been achieved by a partial return to Socialism, *i.e.* by the enactment of laws limiting individual freedom both of employers and employed, such as Factory Acts, Mines Regulation Acts, and others. A perusal of the essays "Historic" and "Transition to Social Democracy" in *Fabian Essays* clearly yields the above results. The following quotations are from the former of these two. On page 30 it is stated:—

"The record of the century in English social history begins with the trial and hopeless failure of an almost complete industrial individualism."

On page 60 this allegation is repeated in similar form:—

"With the masses painfully conscious of the failure of individualism to create a decent social life for four-fifths of the people, it might have been foreseen that individualism could not survive their advent to power."

This allegation, that "almost complete individualism" was the condition recently existing and, but slightly modified, continuing at the present time; that Individualism is responsible, actively or passively, for existing social injustice and the degradation of the masses of the people, is repeated *ad nauseam* throughout the literature of Socialism, and forms the burden of its popular lectures. The conclusion invariably drawn is, that the failure of Individualism compels the adoption of the only alternative system, Socialism. This antithesis imposes on many besides the unthinking, yet it is based on a misconception of the existing system. Individualism, as a social organisation, has not so far had a trial, because it has not yet existed. Advance there has been from the primitive Socialism of earlier times, in the direction of Individualism;—an advance which has largely substituted voluntary co-operation for compulsory co-operation; which has freed industrial activities from the minute supervision of State officials; and has substituted a partial recognition of individual rights for their total denial. But Individualism, the full freedom of each individual, limited only by the equal freedom of all others, has never yet been reached, and the social injustice now prevailing exists, not on account, nor in spite, of Individualism, but through limitations of Individualism imposed or acquiesced in by the State.

Social evolution in the past exhibits a concurrent course of political and industrial emancipation. The political ascendency of chiefs among savage and barbarian tribes is accompanied by their industrial ascendency. Industrial operations are carried on under their directions; the political authority controls the industrial activities of the community, supervises or monopolises exchanges with other tribes, and fixes prices. In many, somewhat more advanced, communities, the agency exercising this industrial control is to some extent separated from that exercising political control. Special "trading-chiefs" evolve, who direct the industry and trade of the society. Still later, the "trading-chief" evolves into the government officer, selling permission to produce, superintending culti-

vation, fixing markets and prices, grading goods, and generally exercising strict supervision over all industrial activities.

In France, during the feudal period, the territorial nobles, lay and clerical, being the political heads, exercised control and supervision over the industrial activities of the cultivators and artisans, of the slave and the serf, and even the partially free classes. Apart from such direct control as was exercised by their bailiffs over the cultivators and others engaged on their estates, apart also from the industrial monopolies which they reserved to themselves, they sold industrial and commercial licences. This system was continued by the State, when the subsequent growth of the royal power concentrated the government, to such an extent that it became a legal maxim that "the right to labour is a royal right, which the prince may sell and subjects can buy." Organised on a comprehensive basis by Colbert, the authorisation of occupations, dictation of industrial processes, examination of products, and their destruction if not approved of by State officials, lasted down to the Revolution.

England, Germany, and the Low Countries, besides exhibiting similar features of control by the central political authority, show a specially great development of industrial control by local political authorities. The heads of guilds were identical with the local political heads, and the guilds themselves were partly political bodies taking part in municipal government. The guilds, in their political capacity, restricted the right to labour at their respective occupations to their own members; admission was sold for money-payments and services. Infractions of the monopoly of the guild were punished by fines and other penalties, and the guild-master dictated processes, controlled production, and examined products. Purchases and bargains were made in the presence of officials, and manufacturing processes were controlled by law.

Social evolution in the field of industry, therefore, as well as elsewhere, has been from a primitive Socialism in the direction of Individualism. The advance made in this

particular sphere has been great, but its beneficial effects, great and obvious as they are, have been counteracted by the persistence of restrictions in other directions.

The inquiry pursued in the preceding chapters has shown the contrasting characters of Individualism and Socialism. The essential ethical difference between these two systems of social organisation we saw to be as follows:—

Socialism, denying the existence of individual, natural rights, seeks to reconstruct society in a direction opposite to its past evolution; to make the individual absolutely subservient to the State; to deprive him of his equal right with all others of exercising his industrial faculties as he will, and to compel him to exercise them in such manner, time, and place as he is directed; to annul his right to benefit by his own beneficial acts; and to allot him a reward bearing no reference to the service rendered by him.

Individualism, affirming the existence of equal, natural, individual rights, seeks the further evolution of society in the direction of its past evolution until society shall have become fully subservient to the welfare of the individuals composing it; seeking to attain such general welfare through the removal of the remaining infractions of the natural and equal rights of all individuals—"the freedom of each to exercise all his faculties as he wills, provided he infringes not the equal freedom of any other"; the right of each to the fullest opportunities for the exercise of his faculties, limited only by the equal right of all others; and the unlimited right of each to benefit by his own beneficial acts, reward being proportioned to service rendered.

The prevailing condition of the vast majority of every people, so far from being that at which Individualism aims, is practically identical with that which Socialism proposes to make general. They are not free to choose their occupations, because in the one direction private ownership of land, in the other the cost of a suitable education, closes many occupations to the masses of the people; they have no full and equal opportunity, frequently no opportunity at all, for the exercise of all their faculties, for the same reasons; and private ownership of land and monopolies

working classes in Great Britain. For 400 years and more the State, in which first the great landowners and subsequently landowners and great capitalists held the dominant position, had been engaged in undermining the industrial independence of the peasant and artisan class, through the confiscation of their individual and collective property in the soil and of their trade-funds; through depressing their wages and increasing the price of the necessaries and comforts of life; through prohibiting their freedom of movement and combination.

Professor Thorold Rogers states :—

"The pauperism and the degradation of the English labourer were the result of a series of Acts of Parliament and acts of government, which were designed or adopted with the express purpose of compelling the labourer to work at the lowest rates of wages possible, and which succeeded at last in that purpose."[1]

And also :—

"I contend that from 1563 to 1824 a conspiracy, concocted by the law and carried out by parties interested in its success, was entered into to cheat the English workman of his wages, to tie him to the soil, to deprive him of hope, and to degrade him into irremediable poverty. . . . For more than two centuries and a half the English law, and those who administered the law, were engaged in grinding the English workman down to the lowest pittance, in stamping down every expression or act which indicated any organised discontent, and in multiplying penalties upon him when he thought of his natural rights."[2]

An enumeration of a few only of the principal measures designed to deprive the labouring classes of their rights, and to degrade them to virtual slavery, will show that these indignant statements are warranted by fact.

The right to accumulate land under settlements, dating from the Norman Conquest and prolonged as a consequence of the Wars of the Roses, as well as the ready acquiescence of corrupt judges in illegal conveyancing tricks, have made land artificially scarce and dear to the mass of the people who want to use it.

[1] *Six Centuries of Work and Wages*, p. 6. [2] *Ibid.* p. 398.

By successive Enclosure Acts the common land of England was handed over to the lords of the manor, and the people, deprived of their immemorial right to the rent-free use of the greater part of English soil, were made dependent upon wage-labour as their sole means of existence.[1]

The confiscation of Church lands in 1536, 1539, and 1548, and their bestowal upon private persons, deprived the people of funds used to a considerable extent for educational and charitable purposes, and hastened the rise in the rental of agricultural land which first impoverished and ultimately extinguished the yeoman class.

By the substitution of excise for feudal dues, 12 Charles II. 1660, and the Redemption Acts of 1692 and 1798, the whole system of land tenure and taxation was revolutionised. Instead of tenants of the Crown, the landholders now became landowners; and instead of the expenditure of the government being defrayed out of the rent which they paid for their land, it was now met out of taxes placed on the labour and consumption of the whole people. As if to leave a permanent record of their turpitude, the landowners left upon the Statute-book the rudiment of their former obligations in a land-tax of 4s. in the pound of annual value—on the valuation of 1692.

The destruction of the guilds and confiscation of their property by Henry VIII. deprived the artisan class of the advantage of these "friendly society" funds, from which they had largely obtained support in youth and old age, loans, widows' allowances, and apprentice fees for their sons.

The debasement of the coinage by Henry VIII. and Edward VI. "was potent enough to dominate in the history of labour and wages from the sixteenth century to the present time, . . . for sixty years prices were more than doubled, while a very miserable increase was effected in the wages of labour."[2]

While these enactments deprived the labouring masses

[1] For a list (not full) of Enclosure Acts, see Cunningham, *England's Industry and Commerce*, p. 476. He enumerates 3431 separate Acts in addition to the general Act of 1801.

[2] Rogers, *Six Centuries*, pp. 345, 346.

of all power of independent employment, fastened the yoke of landlordism on their neck, and accustomed them to a lower standard of life, other measures, aiming more directly at their degradation, were devised in plenty.

The Statute of Labourers, 22 Edward III. 1349—constantly re-enacted in subsequent reigns with increased penalties both on labourer and employer—fixes the maximum wages of labour at those customary in 1347, both for agricultural labourers and artificers, and makes their refusal to accept employment at these wages a punishable offence.

Statutes of Henry VIII., Elizabeth, and James I. visit refusal to work for wages practically fixed by a council of employers, with slavery, branding, whipping at the cart-tail, and ultimately death.

The Acts of Settlement 13, 14 Charles II. and 8, 9 William III., forbidding the labourer to leave his parish, made him, for all practical purposes, once more the serf of the local landowners.

Numerous Acts, beginning with 33 Edward I. 1305, and continuing to the beginning of the nineteenth century, forbade labourers, under savage penalties, to combine for purposes which might affect the conditions under which their labour was sold and purchased.

While the wages of labour were thus depressed directly and indirectly by legislative enactments, the labourers' food, clothing, and all other necessaries of life were largely increased in price by so-called protective legislation, of which the detested Corn Laws were only the most prominent.

These, as well as other long-continued efforts to enslave the working classes of England, bore fruit at last in their abject condition during the second half of the eighteenth and the first half of the nineteenth century. Utterly impoverished and pauperised, starved physically and morally, they found themselves suddenly confronted with new industrial conditions which, substituting factory for home work, concentrated industry in the hands of a comparatively small number of employers. The State had done its work so well, that the workers had no power of resistance left; could not possibly raise themselves out of the abyss into

which they had been thrust by the State itself. The only hope of ameliorating their condition, therefore, lay in remedial action by the State, *i.e.* legislation which should remove some of the laws through which they had been enslaved, or which should mitigate some of the worst symptoms of this State-created slavery.

Fortunately for the peace of Great Britain, the rivalry between the capitalistic and landowning classes enabled a few far-seeing or philanthropic reformers to induce the State to thus mitigate the disasters which its own action had deliberately provoked. In Great Britain, where the earlier development of machine-industry had intensified these evils more than elsewhere, this reaction also found its earliest expression in Factory Laws, Mines Regulation Acts, Truck Acts, the repeal of Anti-Combination Laws, of laws fixing wages, and of laws of settlement, as well as in the re-establishment of Free Trade. But though these beneficial enactments have removed some of the causes and mitigated some of the symptoms of the degradation of the working classes, other and far more powerful causes of this degradation remain in full force, while others have been added since. The recovery, wonderful as it is, has therefore been partial, and cannot become complete till after the removal of the remaining limitations of and encroachments on equal individual rights. Moreover, as in social matters the removal of a cause is not followed at once by a cessation of its effects, the long-continued repressive action of the State has lowered the moral standard of the masses of the people, largely preventing the co-operative action now open to them, and has established a customary standard of wages and working hours which it has taken fifty years of comparative freedom to modify, but which has not yet been broken through.

The continued action of past interferences with the equal natural rights of all, thus combines with the interferences still maintained to produce the prevailing social injustice. Individualism, by removing the interferences still existing, seeks so to stimulate social life that it may, in due time, cast out the evil results which have flowed from both. As the past and partial social evolution has been

in the direction of better maintenance of equal individual rights, as a gradual diminution of social injustice and of the degradation of the people has accompanied this gradual approach towards Individualism, so further evolution in this direction must produce further amelioration ; and the complete organisation of society on individualistic lines, on the maintenance of the fullest freedom of each limited only by the equal freedom of all others, must ultimately remove social injustice and give to all the opportunity of leading higher and nobler lives.

PART IV

THE OUTCOME OF SOCIALISM

CHAPTER I

THE UNCONSCIOUS GROWTH OF SOCIAL STRUCTURES

A WANDERING tribe of savages is merely a transitory assemblage of human beings. Possessing no social structures, no framework around which its units can cluster, the horde can and does easily divide into parts, each of which henceforth leads a separate existence. Increase of numbers, scarcity of food, dissensions, frequently provide the occasion for such division, and the resulting smaller groups carry on their lives as easily as before.

This transitory human assemblage becomes a social organism when, and in so far as, it acquires separate structures. As these structures increase in number and definiteness, social life increases in coherence. For the multitudinous parts of the social organism, each performing a separate function necessary to the full life of the whole, are then bound together by mutual dependence. Separation into parts then becomes impossible, because the parts, though distinct, are dependent upon reciprocal aid for the continuance of their lives.

Social evolution, like all evolution, therefore, proceeds by the gradual accumulation of small changes, from the structureless state, through a state of few and vague structures, to a state of multiform and definite structures. Among savages there is no unlikeness of occupations except that which is imposed by difference of sex. Every adult male is a hunter, warrior, armourer, and builder. Every adult female digs roots, catches fish, prepares skins, and acts as a beast of burden.

Civilisation, even of the most rudimentary kind, pre-

supposes some division of labour, and advances as these divisions multiply. Farmers and agricultural labourers, manufacturers and operatives, wholesale and retail dealers and their employees, the several professions and the various governmental agencies, as well as innumerable other divisions and their several subdivisions, form differentiated but mutually dependent groups, making the social organism variegated in the highest degree. Groups of men are thus made unlike each other by the discharge of unlike functions in maintaining the lives of all.

This multiplication of social structures is accompanied by a like growth in the definiteness of each of them. In civilised societies each group, carrying on separate and differentiated occupations, is clearly defined and specialised. The inhabitants of towns no longer cultivate fields; farmers no longer spin their own yarn and weave their own clothes, are now abandoning even the making of butter. Nor do weavers now carry on agriculture as a subsidiary means of earning a livelihood; goldsmiths no longer act as bankers, nor builders as architects. Nay, the process of specialisation has proceeded so far that special groups devote themselves to the making of parts of things only.

This multiplication of increasingly definite structures results in greater interdependence and consequently greater coherence. Each structure as it becomes more efficient in the discharge of its particular function becomes less capable of performing any other function. Each structure, therefore, depends for the efficient discharge of its function upon the efficient discharge of their respective functions by all other structures. The groups which carry on mining, manufacturing, transporting, and exchanging, as well as those discharging other social functions, depend upon the agricultural group for their food supply; while the agricultural group would be unable to efficiently produce food without the assistance of the mining, manufacturing, transporting, and exchanging groups. Similarly all forms of manufactures depend upon mining and agriculture for the supply of raw material; while mining depends again upon manufactures for its machines, tools, explosives, and other necessaries. Similarly close is the interdependence

of the various groups of manufactures, and their dependence, as well as that of all other producing groups, upon the transporting and exchanging groups. The latter, conditioned in its turn by the producing groups, has evolved interdependent groups of wholesale and retail dealers, brokers and agents, and the existence of this exchanging system implies the existence of roads, railways, canals; of vehicles, ships, and boats; of posts, telegraphs, and telephones; and of the separate organisation of the carrying trade. The development of this system of transport and communication is in its turn conditioned by and dependent upon that of the various producing groups and of the exchanging organisations which connect them with each other and with those social groups which provide for the satisfaction of other than material desires. All this mutual dependence upon reciprocal aid is made possible by the existence of still other groups, which, ensuring efficient defence against external and internal aggression, are in their turn maintained by the efforts of all other groups.

A social organism is thus a highly complex compound of multitudinous, specialised, interdependent, and mutually conditioned structures akin to those of which animal organisms are compounded. And as, when in animal organisms any structure ceases to perform its functions, there results either the cessation of the performance of their respective functions by all other structures, *i.e.* death, or at least such a strain on other structures as adversely affects the whole organism, so like results follow if any social structure ceases to perform its functions. And as no structure of any animal organism can carry on its activities when separated from the rest, so are the groups forming each social structure unable to carry on their activities when separated from all other groups.

This growth in the number and definiteness of structures is not confined to the industrial life of a nation. The chief of a small tribe may easily perform all governmental functions while producing his own sustenance. When, however, the social organism has grown into a compound of several tribes, the greater number of the

governed and their dispersion over a wider area puts obstacles in the way of this personal and only partially differentiated form of government. The compounding of tribal groups into nations and their re-compounding into still larger nations renders it impossible. There arises a multiplication of highly specialised governing agencies, each of which confines its activities to the discharge of its particular function. These several groups, legislative, administrative, judicial, and military, are again differentiated into sub-groups, each discharging its particular function. Out of the original homogeneous and indefinite governing structure there is thus evolved a heterogeneous and definite structure, composed of multitudinous highly differentiated substructures.

Still other social structures make their appearance. The professions differentiate from each other, and either render specialised aid to the industrial groups in the performance of their respective functions or minister to the immaterial wants of all groups. And further still, innumerable companies and associations, unions, societies, and clubs, subserving politics, industry, insurance, art, philanthropy or amusement, make their appearance, as well as educational, artistic, and philanthropic institutions voluntarily maintained by groups of citizens.

The path of social evolution, as of all evolution, thus leads from homogeneity to heterogeneity ; from indefiniteness to definiteness ; from incoherence to coherence. Its originating cause and motive power is the desire of all the units forming the society to satisfy their wants, material, intellectual, and emotional, with the least exertion. Men select those occupations which, under given conditions, external and internal, promise to yield a satisfactory living with the least drain on their physical and mental power, *i.e.* which they deem most suitable for themselves, and engage in such other co-operative activities as their emotions prompt and which promise the best results.

As far as the social organism is concerned, the evolution of all social structures is an unpremeditated and unconscious evolution. As animal organisms evolve new structures to meet new conditions without conscious direction from the

organism itself, so the evolution of social structures is a process unconsciously performed. It proceeds, not under the direction of the organism, acting through its governing agencies, but through the undirected action of the units which compose the organism. The motive which induces it is, not the wellbeing of the social organism, but that of individuals. The latter alone is consciously aimed at, though the former is unconsciously subserved. The State, therefore, has had no part in the evolution of the wonderful compound of innumerable structures which forms a developed social organism. No king and no parliament has evoked it, though they have frequently hindered its evolution and are still hindering its further evolution. It has grown and is now growing, without any conscious direction, through the spontaneous action of individuals, each seeking to satisfy his desires with the least exertion. Small changes thus gradually accumulate into new structures which, remaining as long as they are socially useful, decay and ultimately disappear when this utility has departed from them.

The transformation by which, in the course of ages, men's occupations have become so differentiated and specialised that each, assisting in satisfying the desires of some of his fellows, has his own desires satisfied by part of the efforts of numerous others, is a spontaneous and unpremeditated growth. The knowledge, grown into science, which guides industrial activities, and the inventions and discoveries which condition these activities, likewise are the result of individual exertion undirected by State agencies. So has been created that vast mass of literature which gratifies the emotional desires of men, as well as that ever-growing mass of periodical literature which co-ordinates their social actions.

Nor is it otherwise with the evolution of the governing agencies themselves. Though these are generally regarded as the result of conscious action, they have nevertheless also been evolved in conformity with the general law of evolution, *i.e.* by the slow accretion of small changes useful under the conditions in which the life of the social organism had to be carried on. The automatic growth of the

British Constitution, nay, of the British Empire itself, as well as the spontaneous growth of law and the equally spontaneous differentiation of the several departments of government, are now accepted facts, and are similarly true of every other nation. Not the will of individual rulers, of the great men of history, but the natures of the individual citizens, as derived through heredity and conditioned by the past history of the race, and the conditions now surrounding them, determine the form and character of the government of every nation.

A survey of the field of social structures thus shows that human society is an ever-changing organism, owing its growth to no premeditated plan, but to the spontaneous action of the units which compose it; each of whom, efficiently seeking to gratify his own desires, unconsciously contributes to the gratification of others' desires and to the ever-changing structural organisation of the society to which he belongs. The governing agencies, themselves the outcome of this unconscious action, may in some directions modify this spontaneous growth. Compared with the innumerable instances of hindrance of social growth by governmental interference, those which show furtherance are very rare.

Socialism disregards the history of social evolution, the unconscious growth here inadequately sketched; involves its discontinuance and the substitution for it of a conscious and premeditated further evolution. For if the State conducts all industries, future changes in the organisation of industries can only be made under the direction of the State. No longer would changes of structures result from spontaneous individual action directed towards the satisfaction of individual desires. Such changes could then come only from State action consciously directed towards structural changes. And as the State conduct of industries and equality of distribution involve the control by the State of the professions, of all scientific and artistic bodies, in fact of all social structures, no changes in any of them could arise except through the conscious action of the regulative agency. Unconscious evolution would thus be supplanted by consciously directed evolution throughout

the social organism. Can the latter process supply an efficient substitute for the former?

As in all other organisms, the gradual and spontaneous evolution of structures serviceable to human society is equalled by the gradual and spontaneous decline of structures no longer serviceable. The evolution of new and more serviceable structures frequently displaces older and less serviceable structures, while it may stimulate the growth of other structures.

Thus the growth of the bicycle industry has adversely affected various other industries, as the manufacture of pianos, of music, and of silken fabrics, while stimulating that of certain woollen dress materials. The manufacture of matches has put an end to that of steel, flints, and tinder; the manufacture of coal-tar colours has reduced the cultivation of indigo and madder, and the preparation of cochineal; the rise of mechanical weaving almost annihilated hand-loom weaving; and railways have largely displaced the transport of goods and passengers over roads.

The accumulation of knowledge, of discoveries and inventions, is partly the result and partly the cause of structural evolution. The gradual improvement of primitive tools into modern machinery would have been impossible in the absence of differentiation of occupations; and each improvement in implements and processes has made possible, if not necessary, further differentiation. As long as a spinning-wheel and simple hand-loom were the most efficient implements in general use for the conversion into fabrics of wool, flax, and cotton, a farmer's wife and daughters could usefully devote some of their time to spinning, while weavers could, with equal advantage, use their unemployed time in agriculture. But the invention and extended adoption of spinning machinery and power-looms made such subsidiary occupations economically disadvantageous. Specialising and extending the spinning and weaving industries, these inventions also rendered the occupation of farming more specialised. Similarly, the invention of cream-separators, while specialising and extending the manufacture of butter, has, by reducing the

manufacture of home-made butter, still further specialised the occupation of farming.

While thus furthering the specialisation and growth of existing structures, inventions and discoveries cause the rise of new and additional structures. The numerous groups engaged in the manufacture of electrical appliances and in the supply of electric light and power; those who are engaged in the manufacture of bicycles, of motor-cars, and of refrigerating machinery; others which supply frozen, desiccated, compressed, and tinned foods,—are recent examples of this causation.

Change in demand, induced by the supply of new and more useful services or by mere changes in desire, is the proximate cause of the growth of structures, either in addition to or at the expense of other structures. Thus changes in desire have reduced the mohair industry to meagre proportions, while fostering the manufacture of cashmeres, and have almost terminated the manufacture of crinolines and roller-skates.

Change in demand is, however, not the ultimate cause of the evolution of new structures. For before a change in demand, or an additional demand, can arise, the demanded thing must be known. Some supply must, therefore, precede demand. Hence, new structures are created by individuals or groups of individuals, who endeavour by the production of some new thing to satisfy their desires with less exertion. If the new structure proves serviceable to others, their increasing demand causes its growth and may consequently cause the decline or disappearance of other structures. If the new structure prove unserviceable, the absence of demand rapidly causes it to disappear again. But it is of importance to observe, that before the new structure can prove its utility, it must have begun to discharge its functions. Change in demand, therefore, while inducing alterations in the relative size and importance of existing structures and the disappearance of useless structures, cannot be the originating cause of new structures. The origin of new structures is due to the initiative of intending suppliers. While not undervaluing the importance of the structural changes induced by the

former cause, it is nevertheless evident that those induced by the latter are of greater importance.

Structural changes, due to the action of individual suppliers, are impossible in the socialist State. As all industries are managed by the State, inventions and discoveries can only be adopted by the governing agency. This change, combined with equality of reward, must reduce to a minimum the most important feature of social growth, the addition of new structures and the supersession of old structures by new structures.

As every man and woman must be compelled to work at his or her appointed task a given number of hours every working day, the researches and experiments which result in discoveries and inventions would be largely restricted. No one, except those appointed by the State to do such work, could carry on researches and experiments during working hours, and all other intending discoverers and inventors would, therefore, be restricted to their spare time for such work. At the same time no private person would possess the necessary means for lengthy and costly researches and experiments. By far the greater part of the inventive and scientific genius of the nation would thus be rendered fruitless.

Moreover, the remainder would be rendered less fruitful, because Socialism would withdraw the most powerful motive, or at least one of the most powerful motives, which induce men to devote their energies to the invention of new processes and implements. For as equality of material reward is one of the fundamental tenets and an absolute necessity of Socialism, inventors and discoverers could not receive any pecuniary reward for additions to the wellbeing of society, however great these might be.

Socialists generally maintain that, in the absence of such pecuniary reward, men would be impelled to make discoveries and inventions, partly by the necessities of their nature and partly by the honourable distinction which success would confer upon them. However true this may be of some exceptional men, it cannot be true of all inventors and discoverers. Moreover, even in the case of the exceptions, the impossibility of obtaining any

material reward obviously withdraws one of the main motives which stimulate their efforts. Two causes would thus be active in reducing the number of those who otherwise would devote their labour to the mostly thankless task of improving the appliances and methods of industry. Fewer men therefore would do so, and these would be impelled less powerfully in this direction. Hence the number of inventions and discoveries would be enormously reduced.

At the same time the adoption of such discoveries and inventions as might still be made would be largely hindered. The adoption of new processes and appliances frequently involves the discarding of existing processes and appliances. Employers are loth to do so, on account of the pecuniary sacrifice involved, and workmen generally object to change the system of working to which they have been accustomed. The stimulating action of competition overcomes these obstacles. The employer who first adopts an invention or new process does so in the expectation of gaining an advantage over his competitors; while other employers subsequently adopt it in order to minimise the advantage which the former has gained. Workmen waive their objection, either in response to the expectation of higher earnings, or forced by the insecurity of employment.

None of these motives actuates the officials of the State. They can gain no personal advantage from the adoption of inventions and discoveries which must impose upon them additional exertion and responsibility and may expose them to unpopularity, not only on account of the expense involved, but also on account of resulting changes in working methods.

Moreover, inventions do not generally spring perfect from the brain of man. On the contrary, when any industrial difficulty invites the application of inventive genius, many unsuccessful attempts at its solution generally precede the successful one. The successful inventor, however, has almost always profited by the failures of his predecessors. As a socialist writer[1] happily expresses it:—

[1] John A. Hobson, *Evolution of Modern Capitalism*, p. 57.

"The earlier increments of a great invention make no figure in the annals of history because they do not pay, and the final increment which reaches the paying point gets all the credit, though the inherent importance and the inventive genius of the earlier attempts may have been as great or greater."

This almost certainty of many failures before a successful solution can be found must still further discourage State officials from adopting inventions. They would be blamed for failures while another might reap the praise for success to which their failures had contributed. It would be far safer to do nothing than to run this risk. Hence, to the absence of all inducement to experiment with new inventions there are added several motives on the part of officials, supported by widespread motives on the part of regulated workers, discouraging the adoption of inventions. Not only the inertia of officials, but their active opposition and that of the units composing the older structures, has to be overcome, before a new structure can arise or an old structure be removed. Those who oppose the adoption of new processes and appliances are numerous, organised, and consequently powerful; while those who urge it, having mostly no personal interest to serve, are few, unorganised, and therefore comparatively powerless. The opposition, moreover, has a powerful argument in the uncertainty of success of the contemplated change, which as yet has no practical proofs to offer. Under such circumstances, officials wedded to routine and dreading additional trouble and responsibility will generally decide in favour of things as they are.

Even at the present time, when the example or competition of private industry stimulates the action of State officials, their adoption of inventions and discoveries lags far behind. Innumerable examples might be quoted of State departments refusing for many years to use processes and appliances which privately conducted industries had proved to be advantageous. This tendency of State departments to remain in a groove is so distinct and universal that it has become proverbial. Yet this tendency must be infinitely greater under Socialism, on account of

the total absence of the stimulus which the existence of private industries provides.

Not only would Socialism largely reduce the discoveries and inventions which produce new industrial structures and supplant older ones, but it would also raise almost insuperable obstacles to the adoption of those which would still be made. It would, therefore, largely hinder if not entirely prevent the further growth of the social organism.

One more consideration must be glanced at. In the rare cases in which the predisposition of some powerful official might overcome these obstacles, another danger arises. As already pointed out, the growth of a new structure frequently involves the decline of one or more other structures. When demand is free, the growth of the new and the decline of the old structure can only take place on condition that the former is more serviceable than the latter. The whole body of consumers determines this question; and if their verdict is unfavourable to the new structure, it disappears. Under Socialism, however, the body of consumers is not free to give a verdict. The administration may cease to produce an old and preferred article in favour of a new and less acceptable one. Yet the consumers will be compelled to accept the latter in place of the former. Or—and here the danger is greater still—the administration may supersede a less laborious and costly process by one more laborious and costly. Neither the consumers nor any other agency could prevent such action. There is, therefore, no guarantee under Socialism, such as is now provided by the action of competition, that new structures would be more serviceable than the older structures which they displace. Not only would the evolution of new structures be rare, but such as did evolve might result in retrogression instead of progression.

There remains to be considered the influence of the socialist State on the alterations in the relative size and importance of structures which originate in changes of demand. Considerations advanced in the last paragraph show that, in the absence of private and competing in-

dustries, consumers are compelled to accept such goods and services as the State supplies. Freedom of demand would, therefore, be seriously restricted, and changes in the relative growth of structures would no longer be determined by their relative utility as proved by the action of individuals desiring their services. Such changes might be determined by the will of officials who might err as to the relative utility of structures, or who might be actuated by other considerations.

Nay, the State will be compelled largely to disregard the utility of structures as shown by the infallible test of demand, and will be compelled to abolish multitudinous structures which render social services. In order to regulate supply, the central regulative agency must determine how much of every kind and quality of goods will be required and shall be produced. Changing individual tastes and changing fashions render it impossible to make an even approximately correct calculation, while the regulative influence of changing values is lost. Therefore, the State would be compelled to abandon the infinite variety of qualities, designs, and colours which private industry supplies under the pressure of individual tastes. The desires of the consumers would be disregarded, the products of State industry would be confined to as few qualities, designs, and colours as possible, and these would inevitably become permanent. Not only would changes in the relative growth of structures be reduced, but the number of socially useful structures would be diminished. This diminution would, moreover, be added to by the disappearance of all those structures which subserve the wants of the wealthier classes.

The reduction in the number of socially useful structures and subsequent stagnation would, however, extend beyond the industrial field. As previously pointed out, science, art, and literature must be placed under State regulation if equality of remuneration is to be maintained. Not those best qualified, but only those selected by the regulating agency, would follow these pursuits. Instead of the eager and vigorous scientific, artistic, and literary life of to-day, with its ever multiplying and expanding

structures, there would arise Egyptian and Chinese conditions of barren formalism, monotony, and stagnation. A free press is likewise incompatible with the fundamental tenets of Socialism. The production of newspapers, like every other form of production, must be carried on by the State through paid officials. An enormous reduction in the number of daily, weekly, and monthly journals, and the utmost servility of the remaining ones, would thus be inevitable, reducing periodical literature to the same barrenness and stagnation as that inflicted upon general literature, science, and art.

The growth of a social organism, like that of all other organisms, is conditioned by the flexibility of its structures. Where permanency of structure has been attained, the growth of the organism ceases; where growth ceases, decline begins. The permanency and want of flexibility of structures which have been shown to be inevitable in the socialist State would, therefore, not only lead to the cessation of all further social progress, but to the loss of much of the progress achieved in the past. Stagnation, rapidly to be followed by retrogression, therefore, would be the lot of the nations, who, lacking the courage to undergo the strenuous exertion which the wellbeing of the race demands of them, would seek an inglorious repose in the enervating embrace of Socialism.

CHAPTER II

THE UNCONSCIOUS DISCHARGE OF SOCIAL FUNCTIONS

THE separate and unlike structures of the social organism, like those of all other organisms, discharge separate, unlike, and interdependent functions. The due performance of its function by one structure is conditioned by the due performance of their respective functions by other structures. Thus, that the manufacturing groups may produce, a due supply of raw material and food must be supplied to them by the extracting groups, which process is dependent upon the supply by the manufacturing groups of machines, tools, various prepared materials, clothing, and like necessaries. This, as well as all the other interchanges, cannot be carried out without the due discharge of their functions by the transporting and exchanging groups, which, again, is dependent upon their being supplied with food, clothing, and other necessaries by the extracting and manufacturing groups.

The interdependence of functions here indicated pervades the whole social organism in endless ramifications, and, stretching beyond national limits, combines all the nations of the earth into one larger social organism. Growing in extensity, it also grows in intensity. For, as structures multiply, each becomes more specialised with regard to the function which it discharges, and increased specialisation renders the discharge of other than the habitual function more difficult and ultimately impossible. The due discharge of any function thus becomes more and more dependent upon the due discharge of all other functions. Should any function remain undischarged, the

life of the social organism is rendered less full and may even be extinguished. The reciprocal aid resulting from the due discharge of mutually dependent functions by the several structures is co-operation in its highest form.

All increase in the power of man over that with which nature endows the individual comes from the co-operation of individuals, from the co-ordination of their efforts towards a common end. The co-ordination of efforts may, however, take place consciously or unconsciously.

Where there is no differentiation of structures there is little interdependence and co-operation. Among savage tribes co-operation is consequently mainly confined to the activities involved in war and hunting. The activities co-ordinated for these purposes in order to be effective must be guided by the will of one man towards a premeditated end. The immediate object aimed at being the benefit of the tribe as a whole and not that of any particular individual, participation in this form of co-operation becomes compulsory. This trait of compulsion is an inherent necessity of all co-operation which is consciously directed towards public ends, *i.e.* of all co-operation directed by governmental agencies. The organisation and regulation of an army displays it most clearly. Not only must the State, if necessary, be able to enforce the participation of all fit individuals in military activities, but the army must be so organised that the will of the supreme commander makes itself felt throughout all ranks. Implicit obedience to the orders of superiors being an indispensable condition of efficiency, individual volition must be disregarded, and abstention from co-operation must entail punishment. Similar compulsion distinguishes the organisation spreading through the whole body of society, which either enforces actions deemed necessary for the wellbeing of society or inhibits actions deemed detrimental to the wellbeing of society.

Closely akin to this socially organised co-operation is that kind of industrial co-operation which by a similar combination of individual efforts aims at the accomplishment of tasks which exceed the physical power of the individual. Whether the result aimed at is the simple one of moving an object too heavy for the physical power of

any one of the co-operators, or whether it is the infinitely more complicated one of altering the course of a sailing vessel, this kind of industrial co-operation involves the subjection of many wills to one will in the conscious achievement of a common and premeditated object.

All co-operation which consists in the combination of efforts, therefore, has the following traits :—(1) The common object and not the individual benefit of the co-operators is consciously and immediately aimed at.

(2) Efficiency requires the subjection of the individual volitions of the many to the will of a regulative agency.

(3) Except in its simplest forms such co-operation is compulsory also in the sense that those who engage in it are not free to abandon it when and where they please.

(4) It neglects to utilise the mental power of the regulated many, and utilises their physical power alone under the mental direction of the regulators.

While this form of co-operation has its social uses in securing certain limited results, it fails to secure others which involve a longer series of more delicate and complicated conjoint actions. Whenever, in the course of social growth, individuals find their wants better satisfied by exchanging goods which they can make best, or services which they can perform best, for other goods or services in the making and rendering of which they are less skilled, or for which they are less suitably circumstanced, there arises a different kind of co-operation which consists of the separation of efforts. This separation of efforts enables one individual to perform for many individuals tasks, each of which does not require the full power of an individual. When, for instance, one specially skilled in the making of weapons confines his efforts to the object of making weapons for many, he relieves these others of a task which does not require the full power of each of them. Lacking the special aptitude of the one, and still more the added skill which constant repetition of a given action evolves, the many find it advantageous to obtain weapons from the one. Confining themselves to pursuits for which they possess special aptitudes, they also acquire additional skill by repetition, and, exchanging part of the produce of

their skilled labour for part of the produce of the skilled labour of the weapon-maker, the desires of all are satisfied more skilfully, *i.e.* the desires of all of them are satisfied with less exertion, or an increased number of desires can be satisfied without increase of exertion.

The advantages thus derived from co-operation through the separation of efforts cause the gradual evolution of the social organism from the state of few and vague structures to the elaborate structural and functional differentiation dependent upon reciprocal aid which distinguishes civilised societies. That one group of individuals can devote all their labour to the production of watch-springs is made possible, primarily, by the fact that other groups devote their respective labour to the production of some other component part of watches, and that still other groups devote their labour to combining the several parts into complete watches. Ultimately, however, the performance of this social function by the composite group of watchmakers depends upon the due performance of other social functions by other groups similarly or still more elaborately compounded. Food must be produced by some groups, clothing by others, furniture and buildings by still others; books must be written and printed by the co-operation of several other groups; multitudinous groups forming the transporting and exchanging system must perform their several functions, as well as many others too numerous to mention. These many groups are themselves interdependent, the performance of the function of each of them being conditioned by the performance of their respective functions by all other groups. Moreover, this simultaneous co-operation of many groups is accompanied by a successive co-operation. For each consumption-good is the ultimate result of the successive co-operation of groups, each devoting its efforts to the production of an intermediate good, as in order that bread may appear there are successively produced iron, agricultural machinery, wheat, milling machinery, flour, and baking appliances.

This co-operation, consisting of the separation of efforts in time and space, is distinguished in other respects from the kind of co-operation which consists of the combination

of efforts. The latter consciously and directly aims at the attainment of a common benefit, leaving individual benefits to result indirectly from the attainment of the common benefit. The former consciously and directly aims at the attainment of individual benefits, leaving the common benefit to result indirectly from the attainment of individual benefits. Every one of the innumerable millions who participate in this co-operation has no other object in view than the satisfaction of his own desires and those of his immediate dependents, the maintenance of his and their lives. Yet it is impossible for any of them to attain this object without contributing to a corresponding extent to the satisfaction of others' desires and the maintenance of their lives. Each of them thus consciously aims at the attainment of an individual and proximate object, and in the measure of its attainment he unconsciously contributes to that of a social and ultimate object.

Moreover, because the individual and not the common object is immediately aimed at, there is here an absence of the regulation and compulsion which were found to be essential conditions of the co-operation which aims directly at common objects. For the object of each co-operator being the satisfaction of his desires with the least exertion, his attainment of this object being dependent upon the extent to which his efforts enable others to satisfy their desires in like manner, it follows that the social object, the satisfaction of the desires of all with the least exertion, is attained automatically.

Yet another difference must be pointed out. The co-operation which consists of the combination of efforts more or less fails to utilise the mental power of all but those who form the regulative agency. Obedience to orders required of the regulated precludes the use or full use of their mental power, and claims only the conjunction of their physical efforts towards the achievement of the common task. The reason may be found in the fact, that while the physical power of a group of men, intelligently directed, is equal to the sum of the physical powers of all of them, their mental powers cannot be so compounded. Ten men pulling at a rope can draw ten

times as much as one man; but ten men cannot reason ten times as well as one man. Their reasoning power, therefore, can only be utilised if each of them works at a separate task; it must be neglected when they combine their efforts towards the accomplishment of a common task. The combination of the physical efforts of a group of men under the mental direction of one, therefore, necessarily involves the neglect of the intelligence of all but one man. As far as the object in view is concerned, the rest might be devoid of any greater intelligence than is required for the understanding of the commands of the one man.

The unconscious co-operation which consists of the separation of efforts, however, utilises both the physical and mental powers of all the co-operators. Each chooses his own occupation, and within this occupation brings his mental as well as physical power to bear upon his individual task. It is true that each sub-group exhibits to some extent the relation of regulator and regulated, of the captain and the privates of industry, and that the former alone determines the immediate objective of the common efforts of the sub-group. This regulation, however, is far different from that previously considered. For as the co-operation results from separation of efforts, each regulated co-operator has still to use his mental power in the accomplishment of his separate task, while the regulator uses his intelligence in the co-ordination of their several tasks. Moreover, no superior authority co-ordinates the labour of the several sub-groups which co-operate unconsciously towards the achievement of the ultimate social object. Hence, while conscious co-operation utilises only an insignificant part of the intelligence of the co-operators, unconscious co-operation utilises the whole sum of their individual intelligences. The latter, therefore, is a higher and more efficient form of co-operation, and its product must be superior to that of the former. It consists of the unconscious, voluntary, and reciprocal discharge of social functions by individuals and groups of individuals, all of whom, in the conscious pursuit of their individual ends, conjoin their mental and physical powers in unconsciously

maintaining the life of the social organism with the least exertion on the part of all.

The essential difference between these two kinds of co-operation may be most fully perceived when the method of provisioning an army is contrasted with that of provisioning a great city. In the former case the head of the Commissariat Department decides upon the kinds, quantities, and qualities of the necessary supplies, as well as upon the delivery of stated quantities at given times and places. His orders are transmitted to a set of officials, each of whom takes control of the execution of a part of them by transmitting corresponding commands to other and carefully graded sets of officials. A closely graded and extensive regulating mechanism is thus consciously set in motion by one man, and more or less successfully accomplishes the purpose which he preconceived.

The task of supplying a great city with all its innumerable daily requirements is accomplished without such preconception, regulation, and direction. Wholesale merchants, each dealing with a few kinds and qualities of goods, and with only a small part of the required quantity of these, without concert among themselves, each consciously intent, not on the ultimate object, the supply of the city, but only on the immediate object, the earning of his own living, set in motion the machinery which brings the daily supplies. From the stores thus collected retail merchants purchase their supplies; each again being more or less ignorant of what his fellows are doing, and intent only on his own advantage through the satisfaction of some of the desires of his clients. Yet, though there is no conscious direction and no compulsory regulation, though the ultimate purpose which all these agencies subserve is not consciously before the mind of any one of them, the wants of a great city are satisfied with unfailing regularity, while the provisioning of an army is rarely a complete success, and frequently a more or less startling failure.

Nevertheless, the latter task is far less complicated and difficult than the former. For an army is mainly com-

posed of males in the prime of life, and no attempt is made to supply more than is absolutely necessary to keep them in health and strength. The variety of goods with which the commissariat of an army deals is, therefore, exceedingly limited, while the quantity required of each is known, and the task to be performed is correspondingly simplified.

The inhabitants of a large city comprise on the other hand individuals of all ages, of both sexes, and of infinite variety of condition. The variety of goods to be supplied is, therefore, infinite in kind and quality, and the amount required of each kind and quality of goods varies almost from day to day. The task which unconscious co-operation fulfils with unfailing regularity is, therefore, infinitely more complex than that which conscious co-operation rarely succeeds in fulfilling.

Nor is the success of the one and the comparative failure of the other a mere accident which might be avoided by better organisation. For the more important and regularly recurring functions of all organisms are discharged unconsciously, while less important and irregularly recurring functions only are consciously discharged. Animal organisms direct consciously only such activities as their rate of motion and alimentation, while the more important activities, as respiration, circulation of the blood, digestion, and others, are discharged unconsciously. No amount of training could enable any man to efficiently discharge such functions consciously; the wisest and most careful of men could not escape premature death if he had to consciously direct these processes.

Likewise, a social organism can efficiently undertake the regulation of certain functions of minor importance or irregular occurrence. But the most important of all social functions, the satisfaction of the constantly recurring and innumerable wants of its component units, cannot be safely withdrawn from the department of unconscious activities and placed under the conscious direction of the social organism itself. For just as even a temporary interruption of the respiratory process or the circulation of the blood is fatal to the animal organism, so

even a temporary interruption of the process by which a social organism is supplied with the means of satisfying its wants would be destructive of its life. Such interruption is difficult, nay, almost impossible, where the supplies originate in innumerable, self-directed, and independent groups; it is comparatively easy when supplies originate in the mandate of a centralised agency. Apart, however, from this consideration, the co-operative process is so intricate and involved, so far surpasses the power of control of any individual or set of individuals, that it cannot be efficiently directed by them even under ordinary circumstances.

Consider what is involved. A nation wants vegetable and animal food, clothing, furniture, houses, literature, artistic enjoyments and amusements, wants teaching, healing, and many mental stimuli. The wants comprised under each of these heads are of infinite variety and varying quantity, and are largely dependent for their satisfaction upon the uncertain response of nature to man's efforts. The central agency regulating the co-operative mechanism must nevertheless predetermine the kinds, qualities, and quantities of goods, and services which may be required at a given future time, and must so direct production that all of them may be supplied. Many processes of production involve the lapse of years between their initiation and completion. The directing agency must, therefore, be able to successfully estimate the requirements of distant years in order to determine the amount of labour which shall be devoted to the present initiation of their production.

Besides this productive process, that of distribution has to be carried out. The kinds, qualities, and quantities of goods required at any point in the national territory have to be determined beforehand, their transport to such points must be accomplished, and they must there be distributed in such equitable manner as has been decided upon. Among other difficulties, insuperable in the absence of the competitive process, that of determining the value of every kind and quality of goods at a given time has to be overcome.

Nor is even this all. For the production and distribution of all these requisites of infinite variety, millions of men and women similarly varying in character and aptitudes must each be allotted his or her appointed task, and must be superintended in, and if necessary compelled to, the performance of their respective functions. This selection, regulation, and compulsion must be exercised by the central agency through innumerable subordinate agencies, the component units of which are mostly unseen by and unknown to the central agency. Even if each unit entering into the composition of the regulated body and of the regulative machinery were actuated solely by the desire to efficiently perform his or her task, efficient regulation of the co-operation of all of them would transcend the power of any man or body of men. But when every unit is actuated by many and frequently conflicting motives, when many, if not most, are actuated by desires the satisfaction of which conflicts with the efficient performance of the task allotted to them, as will and must be the case, efficient regulation from without is so obviously hopeless, that it is difficult to understand the frame of mind which can contemplate its possibility.

As the task of consciously organising and performing the industrial functions of a society is beyond the power of any man or body of men, so it is equally impossible to consciously organise the performance of the scientific, artistic, and literary functions. Science has conquered so wide a field that no one mind can grasp a tithe of its volume. The individual scientist, restricted to the cultivation of a small part of the scientific area, can only do so to advantage if its selection is left to his individual predilection and predisposition. He may then advance human knowledge by contributing a mite, which, in due time, will swell the general stock. If, however, a regulative agency organises science, as under Socialism it must, individual aptitude cannot be considered. The future scientist must be selected at a comparatively early age, and must be ordered to fit himself for such branch or branches as, to the selectors, seem most in need of recruits. Should the regulative agency be of opinion that the number of

investigators in one branch is excessive while in another it is deficient, some must be transferred. By accident some men may do the work for which they possess special aptitude; as a rule they will be compelled to neglect the researches for which they are specially fitted and engage in others for which they are less fitted or unfitted. Stagnation and retrogression, therefore, must take the place of the active progress in all branches of science which distinguishes our period. For in science, and still more in art and literature, Hegel's dictum is supremely true: "Subjective volition, passion, it is that sets men in activity; men will not interest themselves in anything unless their individuality is gratified by its attainment."

Art and literature, though giving the most complete expression to national sentiments, are nevertheless still more dependent upon the fullest freedom of the individual to express himself or herself. To consciously select the youths who shall be trained as artists and writers, to afterwards prescribe to each of them the particular branch of art and literature which he or she shall cultivate, is a task which, even if it could be accomplished, would kill all art and literature.

Moreover, while the task of consciously directing the performance of these social functions vastly transcends the power of the best and wisest of men, experience proves that those who would be entrusted with it would be neither the best nor the wisest of the men available. Democracies have produced men of great ability and of conspicuous honour to deal with great questions of State. But where democratic governments have undertaken the conduct of industrial functions, the task has generally fallen into unreliable and incompetent hands. Universal experience proves that the more detailed governmental functions become, the more they deal with industrial matters, the less lofty is the type of politician. Abuse of power, neglect of duty, favouritism and jobbery have been the almost universal accompaniment of industrial politics. Yet the temptations in the way of the conductors of national industries are so great and numerous, the task is so complicated, that even greater and loftier

qualities are required by them than by those who conduct the wider affairs of the State.

In the Australian colonies governments have for many years exercised industrial functions which cannot with safety or justice be left to the conduct of individuals without due compensation. Railways, telegraphs, telephones, the postal service, the supply of gas and water, as well as other functions, have been and are performed by governmental agencies. Yet there is universal discontent with the management of these comparatively simple industrial undertakings, a discontent in the expression of which the journalistic and political advocates of the conduct of all industries by the State have been and are loudest.

The foremost aim of Socialism is to substitute this conscious discharge of social functions for their unconscious discharge; to supersede the world-wide voluntary and undirected industrial co-operation by a compulsory and regulated co-operation under the direction of the State. The foregoing exposition proves that the co-operation at which Socialism aims is inferior in type and less efficient than that which it desires to displace, and that the success of the endeavour would enormously reduce the opportunities of happiness. Before contemplating in greater detail the social results which the establishment of the industrial system of Socialism must produce, it is necessary to examine the form which its organisation must assume.

CHAPTER III

THE INDUSTRIAL ORGANISATION OF THE SOCIALIST STATE

REGULATION from without is necessary to ensure the welfare and continuance of the social organism in the measure in which the self-regulation of the units composing it is defective. As self-regulation grows in extensity and intensity, regulation from without, becoming less necessary, may be correspondingly reduced; were self-regulation complete and universal, all regulation from without might be abolished with absolute safety. Moreover, unnecessary regulation from without, all that which is in excess of the amount necessitated by the deficiency of self-regulation, is not merely useless but socially harmful. The maintenance of regulative agencies in excess of those required for social wellbeing diminishes the maintenance available for socially beneficial agencies, and thus hinders their growth. Worse still, self-regulation being ethically preferable to regulation from without, marking a higher stage of social evolution, persistence of unnecessary regulation from without hinders the further growth of this higher social sentiment. Hence it is that, as we ascend from lower to higher types of human society, regulation from without, political, ecclesiastical, parental, and industrial, decreases in extent and coerciveness. From the sanguinary despotism of Dahomey, or the all-pervading pressure of the Roman administration, to the freedom enjoyed under the British and American constitutions; from the ecclesiastical tyranny of an African witch-doctor, or a mediæval bishop, to the comparatively small influence of ecclesiastical authority on

the life of modern Europe; from the parental absolutism of an early Roman or Teutonic housefather to the equitable relations between parents and children among the Anglo-Saxon nations to-day; from slavery and serfdom to the free contract by which modern workers in combination bargain for the conditions of their employment, the upward march of mankind has been long and weary. Distant as the goal of fullest freedom as yet is, the progress of the past contains the promise of its attainment. Every step in this upward progress is the sign of a preceding advance in the adjustment of man's nature to the conditions of social life; every reduction of regulation from without —of compulsory regulation—has been made possible by the evolution of better regulation from within—self or voluntary regulation.

Moreover, compulsory regulation does not tend to disappear because it has become excessive, useless, and injurious. The removal of excessive regulation, the attainment of greater freedom, is always difficult, and frequently entails great sacrifices on the part of the regulated. For the regulating agency, like any other group of men, is mainly actuated by self-regarding sentiments. Not the performance of useful functions, but the maintenance of its members, is its principal object. Therefore it uses all its power to defend any of its component parts, regardless of the question whether the functions performed by them are necessary and beneficial or needless and detrimental to the social organism. In every progressive community, therefore, regulation from without is in excess of what social wellbeing requires, and not more but less compulsory regulation is a necessity of further progress.

Here also Socialism disregards the teaching of universal history—runs counter to the course which the evolution of human society has taken. Instead of aiming at less regulation, it aims at more regulation; instead of reducing the coerciveness of regulation from without, it must increase it. For the supersession of the unconscious and voluntary co-operation of to-day by a system of compulsory co-operation consciously directed by State agencies, involves universal regulation of the most minute and despotic kind.

Not without reason do socialists speak of "an industrial army" as the type of organisation at which they aim. In structure and in the sentiment animating it the industrial organisation of Socialism must form a complete parallel to the organisation of an army. There must be the same graduated regimentation to convey orders and superintend their execution, and there must be the same subordination to secure the working of the machine. Unquestioning obedience, being as necessary in the industrial army of the socialist State as in the militant army, must, as in the latter, be enforced with unyielding rigour.

Socialist writers and speakers, as a rule, are reluctant to set forth their idea of the form which the organisation of labour must take in the socialist State. They plead in excuse of this reluctance that it is impossible to foresee the exact character of an organisation which must change with the changing conditions of industry. True as this plea is with regard to the details of organisation, it is not true as regards its type. Just as change in weapons, and other conditions of warfare, while constantly altering the details of military organisation, has left its type unaltered, so changes in industrial conditions do not materially affect the type of industrial organisation. For the type is determined solely by the object immediately aimed at, *i.e.* whether general or individual benefit is the proximate object. If, as is the case with Socialism, the general benefit is consciously aimed at, industrial activities must be regulated, as Socialism proposes to regulate them, by a central agency—national for industries of national importance, municipal for industries of merely municipal importance. The number of the individuals and the extent of the operations to be regulated then also impose a graduated series of regulating agencies, culminating in the central agency. Whether the subordinate regulative agencies derive their authority from the central agency, or whether their authority is derived from the same source as that of the central agency—say popular election—or whether each superior agency derives its authority from the agency immediately below it by delegated election, will profoundly affect the efficiency and strength of the whole organisation.

But as in every army, under all conditions of warfare, there must be a central commanding agency which transmits its orders through subordinate commanding agencies, and as the efficiency of an army depends upon the blind obedience of each subordinate agency, and of the soldiers which it commands, to the dictates of the central agency, so must the same regimentation and subordination prevail in the industrial army of the socialist state, whatever the changing conditions of industry may be.

The few socialist writers who have dared to picture the industrial organisation which Socialism necessitates, much as they differ in detail, agree in admitting this contention. Laurence Gronlund describes it as follows :[1]—

"*Appointments will be made from below.* . . . Under Socialism . . . the letter-carriers will elect their immediate superiors ; these, we will say, the postmasters ; and these, in their turn, the postmaster-general. . . . The workers in a factory should elect their foreman ; teachers their superintendent, etc. This is the only method by which harmonious, loyal co-operation of subordinates with superiors can be secured. No one ought to be a superior who has not the goodwill of those he has to direct. Understand also that *appointment* from below does not necessarily imply *removal* from below. . . .

"Every directing officer should be responsible not alone for the work he himself does, but also for the work of *his subordinates.* He must see to it that they do their work well. Is not this a sufficiently good reason why every directing official should be given the right instantly to dismiss any one of his subordinates for cause assigned, inefficiency being, as already stated, the very best of causes? When, then, a foreman was inefficient, he would be removed instantly without trial by his superintendent ; he, again, might be removed by his bureau-chief, perhaps for abuse of power in removing the foreman ; this bureau-chief, again, by his department-chief. . . . Suppose we make every department-chief (head of a whole industry) liable to removal by the whole body of his subordinates . . . and that he be removed from office the moment that the

[1] *The Co-operative Commonwealth*, pp. 166-176. (The *italics* are Gronlund's.)

collective judgment of the whole department is known, if that judgment is adverse to him. Then the bureau-chiefs immediately elect another chief of department, who can be removed in like manner if he should not suit the workers.

"Can the foreman also dismiss any of his workers for inefficiency or other cause? . . . For such cases a trial by his comrades might be provided, the issue of which might be removal to a lower *grade* or some sort of compulsion.

"Instead of any term of office long or short *we shall have a tenure during good behaviour.*"

The same author states:[1] "Do not, however, suppose that there will be no subordination under the new order of things. Subordination is an absolute essential of co-operation; indeed, co-operation is discipline."

Sir Henry Wrixon also furnishes valuable testimony in this direction. He states:[2]—

"One of the ablest thinkers and advocates of the socialist cause in England favoured me by giving me more than one interview, at which he explained his opinions very clearly. He said: '. . . In the social State there must be strict discipline; the ranks of workmen would not be allowed to elect their own heads; they would only have their vote for the general election of representatives. The idle would be subjected to some form of penal discipline.'"

The same author makes the following statement:[3]—

"Mr. Sidney Webb, in a lecture, declared: 'To suppose that the industrial affairs of a complicated industrial State can be run without strict subordination and discipline, without obedience to orders, and without definite allowance for maintenance, is to dream, not of Socialism, but of anarchism.'"

Equally decisive is the utterance of one of the foremost leaders of the social democracy of Germany, August Bebel:[4]—

"After society has entered into exclusive possession of all the means of production, the equal duty of all to labour,

[1] *The Co-operative Commonwealth*, p. 148. [2] *Socialism*, p. 129.
[3] *Ibid.* p. 21. [4] *Woman*, p. 181. (William Reeves, London.)

without distinction of sex, will become the first fundamental law of the socialistic community. . . . Socialists maintain that he who will not work has no right to eat. But by work they do not understand mere activity, but useful, *i.e.* productive work. The new society demands that each of its members shall execute a certain amount of work in manufacturing, in a handicraft, or in agriculture, by which he contributes a given quantity of products for the satisfaction of existing needs."

These authorities agree in declaring that necessity of regimentation, subordination, and compulsion in the socialist organisation of labour, which we deduced from general principles. The ordinary worker, the vast mass of the male and female population, would, therefore, be exposed to conditions, uniform for all of them, and widely differing from those of the average artisan even under existing unjust social arrangements. For though the individual artisan does not enjoy any great independence, he possesses in his union the means of bargaining for the conditions under which he will work, and even in matters too small for combined action, he can escape irksome conditions, such as the chicanery of a foreman or employer, by changing from one factory to another. Large sections of the people—farmers, shopkeepers, professional men, merchants, hawkers, and others, as well as most women—carry on their labour without the supervision of any one, and without the slightest industrial subordination. Moreover, within certain limits, every man is free to choose his occupation, and the place of his abode, and all are free from any outside compulsion with regard to the amount of labour which they desire to perform.

Under Socialism all this would be changed. The determination by the central regulating agency of the kinds, qualities, and quantities of commodities to be produced, involves of necessity the further determination of the number of workers to be employed in each occupation, and of the place where their labour may be most usefully exercised. When the number of labourers required in any occupation and place has been obtained, others must enter such occupations and in such localities as the

administration may decide. If, through any change in demand, or in methods of production, the number of workers in any occupation becomes excessive, the surplus, which must be selected from the total number by officials, must enter such other occupations and leave for such other localities as the administration may decide. Furthermore, no youth can be allowed the choice of his occupation, as otherwise some occupations would become overcrowded, while others, equally necessary, would be neglected. The administration, therefore, must decide the occupation of every youth, male and female. Freedom of movement, the right of any one to choose his or her place of abode and labour, as well as freedom of choice with regard to the occupation which any one desires to follow, would be absolutely abolished. Socialists, while appearing to contest this conclusion, nevertheless fully admit it. Thus August Bebel states :[1]—

"Every one decides for himself in which branch he desires to be employed; the large number of various kinds of work will permit the gratification of the most various wishes. If a superfluity of workmen occur in one branch, and a deficiency in another, it will be the duty of the executive to arrange matters and readjust the inequality."

The second sentence in the foregoing quotation obviously contradicts the first, for if the executive is to "readjust the inequality" arising from "a superfluity of workmen in one branch and a deficiency in another," the executive must have power to compel the superfluous labourers to change their occupation, and if the deficiency has arisen in another locality, to compel them to work in this other locality. The second sentence, therefore, fully admits the conclusion we have drawn. Gronlund in like manner is forced to admit this contention, while endeavouring to deny it. He states :[2]—

"It is, as we have stated, for the Commonwealth to determine, in its character of statistician, how much of a given product shall be produced the coming year or

[1] August Bebel, *Woman*, p. 183.

[2] *The Co-operative Commonwealth*, pp. 148, 149. (The italics are Gronlund's.)

season. . . . Suppose in a given industry production will have to be narrowed down to one-half the usual quantum. It follows that, in such case, the workmen can only work half the usual time, and that there will only be one-half the usual proceeds to be distributed among them.

"What must be the result? Evidently the men's remuneration will have to be reduced one-half, or a corresponding number of workers will have to pass over to some other employment—for the consequences of such disorder which may be permanent, and is not the result of either miscalculation or misfortune, will certainly not be borne by society at large; and the Commonwealth, while it guarantees *suitable* employment, can certainly not guarantee a *particular* employment to anybody.

"A change of employment will, however, in that Commonwealth be tolerably easy for the worker, on account of the high grade of general education, and because all will have passed through a thorough apprenticeship in general mechanics.

"Certain critics of Socialism object that no person under it will have any effective choice in regard to employment. The above shows how little foundation there is for such criticism. But we should like to know how much 'effective choice' the vast majority of men now have in regard to employment, or wages, or place of abode, or anything else."

Whether a change of employment, at the dictate of some spiteful official, or as a disguised punishment for opposition to the regulative agency, from, say the manufacture of optical instruments to the work of a navvy; from leader-writing on a governmental newspaper to breaking stones; or, for a woman, from teaching literature to working at a power-loom or a spinning-mule, is "tolerably easy," as Gronlund asserts, appears to be questionable. There can, however, be no doubt that if the State, having abolished all competing employment, does not guarantee the "particular" employment any one desires, but merely "suitable" employment, *i.e.* suitable in the opinion of some official or officials; and if workers will have to change the character and place of their occupation when-

ever the administration deem it necessary, free choice of occupation and abode is abolished.

This subjection to the will of the executive agency, depriving the individual of the right to choose the place of his labour, deprives him also of all power to escape from specially onerous conditions of employment. For as he must go from one factory to another if a superior officer so decides, so he must remain in a given factory unless he receives permission to transfer himself. He, therefore, is unable to escape from the chicanery of local officials, from the annoyances, injuries, and punishments which may become his lot, should he have roused the ill-will of any of his local superiors or of the administration as a whole.

Moreover, equality of reward has as its necessary corollary equality of service by both men and women, as Bebel admits.[1] But how is this equality of service to be enforced? Apart from the difficulty of arriving at an equation of effort in different occupations, how are all men and women to be induced to do the amount of work decided upon? If the standard is fixed at a level suitable to weak women, it will enormously reduce the productivity of men's labour. If it is fixed so low as to suit the slowest or laziest of workers, the productivity of the labour of all superior workers will be reduced. If it is fixed higher than this—as it inevitably must be—say so as to suit the men of average industry, ability, and strength, most women and many men will be unable to comply with it, while others will be unwilling to do so. Are they all to be compelled to work up to the standard of efficiency, regardless of the question whether their failure results from inability or laziness?

Socialists generally avoid the discussion of these difficulties, or escape from it by the unreasoning assertion that there will be no weak or lazy members of the socialist State. Thus Bebel writes:[2]—

"And what becomes of the difference between the industrious and the idle, the intelligent and the stupid? There will be no such differences, because that which we

[1] See quotation, pp. 293, 294.

[2] *Woman*, pp. 194, 195.

associate with these conceptions will have ceased to exist. . . . As all will carry on labour under conditions of perfect equality, and each will be occupied with the kind of work for which his tastes and faculties best qualify him, it is evident that the differences in the quality of the work done will be extremely small."

Even if it were the case, which it is not, that "each will be occupied with the kind of work for which his tastes and faculties best qualify him" or her, it would not follow that the difference in the quality and amount of work done would be "extremely small." For the difference in faculties, mental and physical, must result in corresponding difference in the work done, and as the former differences are great, so must the latter be. Moreover, those who have framed any conception of the slow adaptation of individuals to the conditions of social life; those who see that even where all the advantages to be reaped from conscientious work go to its performer, large numbers fail to work conscientiously; those who have witnessed the shirking of work by members of co-operative industrial undertakings and the consequent collapse of the latter,—all these will hesitate to adopt the conclusion that Socialism, *i.e.* working, not for their individual advantage, but for that of the community, can produce such a sudden transformation of character as to make all men and women conscientious, industrious, and able.

Bebel himself states:[1] "He who will not work has no right to eat," and it follows that he who works less than his fellows has less right to eat, *i.e.* must receive less, or must be compelled to work as much. The existing organisation of industry, with all its faults, at least produces some measure of equality between service and reward. The worker who is unable or incorrigibly lazy is discharged, and the less able or less industrious workers receive lower pay than their more able or industrious fellows. This indirect coercion is not available in the socialist State. Monopoly of employment by the State and equality of reward render either discharge or reduced pay impossible. Penal regulations, culminating inevitably

[1] See quotation, p. 294.

in personal chastisement, are the only means by which the socialist State can enforce its labour regulations. The prison and the knout, therefore, threaten all who, regarded as capable of work by their official superiors, are nevertheless unable or unwilling to perform the task allotted to all alike.

The great mass of the population, all those who do not form part of the regulating hierarchy, will be subjected by Socialism to such regimentation, discipline, and compulsion as prevails in militant organisations. The slow and painful evolution which in the course of centuries has rescued the masses of the people from such a state of subjection ; which has created the comparative freedom for which past generations have gladly ventured life and fortune ; which, superseding authority by individual responsibility, has yielded the opportunity for the moral elevation of man, would thus be turned upon itself. Man would again become part of a social mechanism which, disregarding individual desires and aspirations, would suppress all individuality, personal initiative, and aspiration.

Not the misuse of the powers conferred upon the regulative agency, but the conscientious exercise of such power for social wellbeing, must inevitably lead to this result. Whether such misuse will take place, and to what extent, must, however, largely depend upon the control which the regulated masses can exercise over the regulative agency. The following chapter will, among others, deal with this question.

CHAPTER IV

THE POLITICAL OUTCOME OF SOCIALISM

A GREAT landowner, attached to the sport of his youth, brings to Australia a few pairs of rabbits, and within a few years the plague of rabbits has half-ruined the landowners of the country, while enforcing great expenditure to avert total ruin. A settler, fond of water-cress, introduces the plant in New Zealand, and before a generation has passed, it has spread to an extent which threatens to choke water-courses and rivers. A governor's wife, fond of Lantana blossoms, brings a plant to Ceylon, where it spreads over large areas of fertile land, making them useless for cultivation.

These examples of man's want of foresight and inability to control the natural forces which he sets in motion might be multiplied almost indefinitely. Still more numerous are the examples of his inability to control the social forces which he sets in motion, and his want of foresight regarding their tendencies. Laws which approximately achieve the objects for which they were passed achieve additional results not aimed at; and, with like frequency, laws fail to achieve the object contemplated, while achieving other and unexpected results.

Equally true it is, that governmental structures once created have a tendency to escape control and to achieve unexpected results. Like all other groups of men, those forming governmental agencies judge of the general well-being through their own, and desire to extend the functions and power of the agency to which they belong. The separation of their functions from those of the rest of the

population produces a spirit of caste, and makes them impatient of any control except that exercised by members of their caste, while their separate interests are placed before the general interest. At the same time, the graduated organisation and centralised authority of such agencies enable them to persistently pursue their separate interests, and to overcome the sporadic resistance of the unorganised regulated masses divided by apparently conflicting interests. The tendency of all such agencies to thus enlarge their functions and escape from popular control, to convert derivative authority into absolute authority, is universally visible. It is shown no less in the rise of more or less formally elective chiefs into hereditary and absolute kings, or in that of humble deacons and presbyters into princes of the church and popes, than in the power of party machinery in the United States. For though the people of the United States enjoy all the forms of control over their several governments; though popular election is still the method of appointment to all legislative and many of the important administrative positions, it is nevertheless a notorious fact that all real control by the people has been lost. It has passed into the hands of an organisation created for the purpose of causing popular control to be exercised with efficiency—the party machine. The party machinery, directed by an irresponsible and generally corrupt person, the "boss," nominates the candidates for office in towns, states, and union; to the electors remains but the inglorious and frequently distasteful task of ratifying the nominations of one machine or the other. The organisation created for one end has achieved another and contrary end; the servants of the people have become the masters of the people.

The same tendency has made its appearance in the great organisation of the Co-operative Stores, which culminates respectively in the English and Scottish Co-operative Wholesale Societies:—

"The Co-operative Stores of each district hold meetings periodically to decide questions of business and policy. In these district meetings the Wholesale Directors are represented by two of their own number; and with their

wider experience and central prestige they find it an easy matter usually to control the local delegates. Nominally, the Wholesale is under the control of the delegates chosen by the societies which hold shares in it, and for whose convenience it was constituted; but, practically, I was assured by its critics, popular control is gradually becoming a mere name. The Central Government has become so large that its own public cannot deal with it." [1]

More instructive still are the difficulties which trade unions experience in their endeavour to limit and control the growing power of their elected officials. The testimony of Mr. and Mrs. Sidney Webb is of peculiar value on this point, not only on account of their exhaustive study of trade unions, but also because they may be regarded as unwilling witnesses to the despotism which Socialism must engender. Dealing with the evolution of trade-union organisation, they make the following statements: [2]—

"It was assumed that everything should be submitted to 'the voices' of the whole body, and that each member should take an equal and identical share in the common project. As the union developed from an angry crowd, unanimously demanding the redress of a particular grievance, into an insurance company of national extent, obliged to follow some definite trade policy, the need for administrative efficiency more and more forced itself on the minds of the members. This efficiency involved an ever-increasing specialisation of function. The growing mass of business and the difficulty and complication of the questions dealt with involved the growth of an official class, marked off by capacity, training, and habit of life from the rank and file. Failure to specialise the executive function quickly brought extinction. On the other hand, this very specialisation undermined the popular control, and thus risked the loss of the indispensable popular assent. The early expedients of rotation of office, the mass meeting, and the referendum proved, in practice, utterly inadequate as a means of recovering genuine

[1] Henry D. Lloyd, *Labour Co-Partnership*, pp. 274, 275.
[2] *Industrial Democracy*, pp. 59, 60, and 70.

popular control. At each particular crisis the individual member found himself overmatched by the official machinery which he had created. At this stage irresponsible bureaucracy seemed the inevitable outcome. But democracy formed yet another expedient, which in some favoured unions has gone far to solve the problem. The specialisation of the executive into a permanent, expert civil service was balanced by the specialisation of the legislature, in the establishment of a supreme representative assembly, itself undertaking the work of direction and control for which the members at large had proved incompetent. We have seen how difficult it is for a community of manual workers to obtain such an assembly, and how large a part is inevitably played in it by the ever-growing number of salaried officers. But in the representative assembly these salaried officers sit in a new capacity. The work expected from them by their employers is not that of execution, but of criticism and direction. To balance the professional civil servant we have, in fact, the professional representative. . . .

"How far such a development will . . . promote collective action, and tend to increasing bureaucracy; how far, on the other hand, it will increase the real authority of the people over the representative assembly, and of the representative assembly over the permanent civil service; how far, in fine, it will give us that combination of administrative efficiency and popular control which is at once the requisite and ideal of all democracy,—all these are questions which make the future interesting."

The preceding extracts show that Mr. and Mrs. Webb are by no means certain that the measure which, they state, has to some extent curbed the excessive and still-growing power of the elective officials in some "favoured" trade unions, will be equally effective in curbing the power of the bureaucracy which Socialism will create. The following considerations, showing that the doubt is more than justified, censure the levity which regards as merely "interesting" a future replete with dangers:—

A trade union is a voluntary organisation which men can join and leave without serious sacrifice. If a

minority is dissatisfied with the conduct of the union's affairs, they may leave in a body and create another union. If, on the other hand, the malcontents form a majority of the members, they can dismiss all existing officials and elect new ones. Autocratic conduct on the part of officials may all the more readily provoke this result on account of the paucity of officials compared with the number of members; of the absence of any close and graduated organisation comprising the officials of all unions; of the paucity of the officials' relatives and interested friends among the members of the union; of the absence of official patronage and consequent inability to bribe or terrorise numerous members.

The regulative agency which Socialism must create and the relation between it and the regulated members of the State contrast in all these respects with the regulative agency of a trade union and its relation to the body of members. A dissatisfied minority cannot possibly set up a new state for itself, nor can it in any other way escape the compulsion, and even aggression, of the regulative organisation. Even the dissatisfaction of a majority might, and probably would, be unable to curb its power. For this regulative agency, exceedingly numerous, would also be highly regulated and organised, and its full power would be wielded from one centre. The influence and power, even of existing bureaucracies, comparatively small in number and restricted in functions, are only too visible in such countries as France and Germany. The far greater number and all-embracing functions of the socialist bureaucracy, therefore, must result in its yielding a vastly greater power.

Nor is this all. A regulative agency grows at the expense of the regulated. Every unit added to the former is taken from the latter, and, adding to the aggressive power of the regulators, weakens the resisting power of the regulated. The transfer of power is, however, much greater than the number of the transferred units would indicate. For not only is the transfer from an unorganised body to an organised, but there are included in the transfer the relatives and friends of the new officials

whose sympathy and support still further strengthen the official organisation.

Further still, this exceedingly numerous official class, closely organised and centrally commanded, supported by still larger numbers of interested adherents among the regulated, has absolute control over the population, the land, the means of production, and of all available consumption-goods. Wielding, on the one hand, an unexampled power of bribery, it, on the other, wields an equally unexampled power of terrorism. Where gratitude for favours, past and to come, fails to silence the expression of discontent, fear of vengeance might well produce this result. For, as already pointed out, control of production involves control of the producers. The administration must have the power to shift workers from one locality and occupation to other localities and occupations. What easier than to separate husband and wife, parents and daughters, under the plea of industrial necessity? How will the malcontent resist, who is transferred from an agreeable locality and occupation to a disagreeable locality and exhausting occupation, when the administration alone can judge of the necessity of such transfer?

Nor does even this exhaust the oppressive powers of the socialist bureaucracy. Journalism and the production of periodical literature generally, like every other occupation, must be carried on under its control. It is alleged that a body of discontented individuals might join to produce a journal expressing their opinions. No such action, however, can be permitted, if the fundamental principles of Socialism are to be maintained. For the establishment of such a journal would be a return to the "profit-mongering" system which Socialism is to displace. The subscribers, owning the paper, would be in the position of shareholders, and would receive the profit from the venture, if any. If not they, but some one else owned the paper, this owner would be the profit receiver. If this is permissible with regard to a newspaper, why not in the case of factories also? Apart, however, from this consideration, no journal hostile to the bureaucracy could

possibly maintain itself. Its machinery, paper, ink, type, and all other requisites could not otherwise be obtained than from State magazines. If the hostile paper were not speedily extinguished through the constantly recurring difficulties and delays in obtaining supplies which the bureaucracy could create at will, other and more drastic measures might easily scatter its producers and subscribers, and thus end its existence. Thus the whole of the daily and other periodical press would be under the absolute control of the bureaucracy; press criticism of its doings would be impossible; its misdeeds would be concealed from all but those directly affected, while all news and reflections would be "edited" to suit its purposes.

If it is suggested that, in the absence of an independent press, combined public action can be promoted by means of correspondence and secret personal agitation, it is overlooked that the all-pervading power of the socialist bureaucracy would again block the way. A powerful and numerous bureaucracy, having representatives on every farm and in every mine, factory, and workshop, would inevitably know every disaffected individual, nor would it hesitate to open and read their correspondence passing through the post-office. The knowledge thus obtained would speedily lead to the suppression of their correspondence and to the administrative harassing of the writers and addressees. On the other hand, the impossibility of leaving the place of occupation without official permission would prevent personal agitation elsewhere, while such local agitation as might be attempted would be speedily interrupted by shifting the principal agitators to distant localities.

If, then, as we witness to-day in continental countries, a comparatively small body of officials having a restricted sphere of influence and only partial control over the press, wielding also but small power of bribing or injuring private individuals, possess nevertheless a formidable power over the public whose servants they profess to be, it is obvious that the far more numerous and coherent socialist bureaucracy, actuated by common interests and acting under one central authority, exercising unlimited

powers of interference, of bribery and of intimidation, controlling absolutely the whole newspaper press and whatever armed force there may be, would wield a power absolutely irresistible to an incoherent and widely scattered public, having no settled policy, no habits of united action, and no means of communicating with each other.

To check and control such overwhelming power by means of an elective assembly is an idle dream. As Mr. and Mrs. Sidney Webb themselves point out, even in the elective assemblies of trade unions which have been formed to control their elected officials, "a large part is inevitably played by the ever-growing number of salaried officers." How can any one, aware of this fact, hope to prevent the legislature of the socialist State being composed mainly of officials or of unofficial nominees of the bureaucracy selected for their devotion to the cause of the latter? As the power of the socialist bureaucracy would exceed that of any existing bureaucracy, so must its influence with the electors exceed that of the latter. How great that power is, is shown no less by every election in Germany and France than by Napoleonic plebiscites. An elective assembly composed as that of the socialist State must be, far from being a check on the power of the bureaucracy, and the abuse of that power, would be the keystone in the arch of bureaucratic absolutism.

If it is replied that France and Germany are not truly democratic countries, the rejoinder is that a like state of affairs prevails in the most democratic countries. It is well known that the influence of the machine in American politics is largely based on its co-operation with office-holders and expectant office-holders. A still better object-lesson is furnished by the Australian Colonies and appeared most clearly during the general elections of 1894 in Victoria. A ministry, determined to reduce the annual deficit by curtailing the number and salaries of a somewhat excessive but by no means overpaid civil service, appealed to the country. For the first time in the history of the colony the public service, otherwise divided in politics, unitedly and actively supported the opposition. The result was a disastrous defeat of the ministerial party,

attributed by a general consensus of opinion to the active opposition of the public service.

What is possible to a numerically small and comparatively uninfluential public service in a British colony would be the merest child's play to a socialist bureaucracy. The elective assembly would merely be a counterpart of the bureaucracy in which the people who nominally elected it would have no influence, just as election of the officials by the people would fail to ensure their control over the bureaucracy, as Mr. and Mrs. Webb admit.

Similar objections apply to another method, also suggested by Mr. and Mrs. Webb :[1]—

"As miner, mechanic, or mill operative, the worker is and must be the servant of the community. From that service Socialism offers no escape. All it can promise is to make the worker, in his capacity of citizen, the joint proprietor of the nation's industry and the elector of the head officers who administer it."

There are two methods of electing head officers ; one is that the persons employed in each industrial department elect the head officer of their industry, or that the whole people elect the head officers of all industrial departments. In either case a constituency spread over the whole country would have to elect one or more candidates. In order that a candidate may be elected he must be known to possess the requisite qualifications, *i.e.* capacity and experience to manage, not merely one factory, but all the industrial establishments comprised in one department, say the textile industries.

Such men are rare always, and under no circumstances can they be found among the number of ordinary workmen under Socialism. There may be some among them who possess sufficient natural ability, but having occupied no administrative post, they cannot possess, and still less can they be known to possess, the requisite experience. Such experience cannot be found outside the ranks of the socialist bureaucracy. Some officials, having reached high rank by long service, alone can be selected. The ideas and interests of such men would be congruous with those

[1] S. and B. Webb, *Problems of Modern Industry*, p. 275.

of their fellow-bureaucrats, and a reform of the bureaucracy, therefore, cannot be expected from them. The people may change their despots, but they cannot escape despotism.

Suppose, however, the people, made reckless by oppression, determined to risk all consequences and to elect some ordinary workers in spite of their inexperience; candidates willing to brave the vengeance and honest enough to withstand the bribery of the bureaucracy will be difficult to find. But how are they to be found and their trustworthiness made known throughout the vast constituency? Known within one factory, their names are utterly meaningless anywhere else, and cannot be distinguished from those of the creatures of the bureaucracy whom the latter would put forward. For, as the press is in the hands of the bureaucracy, as it can control correspondence and all other means of communication, the ordinary workers, as already pointed out, have no means of organising combined action.

Not only, therefore, would the election of head officers by the workers be a farce, but it would materially strengthen the hands of the bureaucracy in making itself absolute. The board of head officers, being elected by the people, would derive its power from the same authority as the legislature. Individually their power would have a superior foundation to that of the legislators, as being derived from a largely superior number of electors. Even in the unlikely case of their confederates not controlling the legislature, they would thus be in a better position to fight and conquer the latter than if their authority were derived from an inferior source than that of the latter.

Is there then no possibility of controlling the power of the socialist bureaucracy in other ways? An examination of the several ways other than election for appointing officials will show that there is no such possibility. The first of these is the modification of elective appointment by dismissal through superiors, suggested by Laurence Gronlund.[1] This modification must obviously destroy the last vestige of control which the electors might retain.

[1] See quotation, p. 292.

For, once appointed, the official would have to fear nothing from his electors and everything from his superiors, at whose mercy he would be placed. Abject servility towards superiors, combined with insolent disregard of the wishes and interests of the regulated masses, would be the result. At the same time, the election of the heads of departments, who would form the chief and central authority, by their immediate subordinates, would ensure the composition of this supreme authority by men pledged to uphold the interests of the bureaucracy under all circumstances. This proposal, therefore, offers no escape from the dilemma in which Socialism finds itself.

An alternative method may be found in admission to the service by competitive examinations, advancement by seniority or by recommendation from superiors, dismissal at the recommendation of a judicial board after trial, and appointment of a central agency by the legislative assembly. This method, however, is obviously unable to destroy the homogeneity and power of the administration, nor would it offer any guarantee against the misuse of that power as long as the bureaucracy can influence popular elections and the appointment of the judicial board.

The only other method is suggested in the *Fabian Essays*.[1] It is there stated :—

"I do not think that the direct election of the manager and foremen by the employees will be found to work well in practice or to be consistent with the discipline necessary in carrying on a large business undertaking. It seems to me better that the Commune should elect its council — thus keeping under its control the general authority—but should empower the council to elect the officials, so that the power of selection and dismissal within the various subdivisions should lie with the nominees of the whole Commune instead of with the particular group immediately concerned."

This method also overlooks the influence over the election of the council which the numerous body of officials would exercise. The selection of the officials by an elective body is, moreover, a task for which such bodies

[1] P. 158.

are peculiarly unfitted, as the experience of Australia proves; would, considering the number of officials in the socialist municipalities, offer serious difficulties to the council of a municipality, and would be absolutely impossible when all the innumerable officials conducting State industries had to be selected by the elective assembly. For such an assembly could not be conversant with the capacity of the many thousands of applicants nor with the requirements of the many thousands of posts to be filled. The assembly would, therefore, be compelled to make appointments at haphazard, or to merely sanction the nomination of some other body conversant with the facts, *i.e.* a body composed of superior members of the bureaucracy.

Socialism, therefore, possesses no means by which can be controlled the Frankenstein which it must call into being. What, then, would the socialist bureaucracy do with the absolute power which it would wield? That it would use it sooner or later for the purpose of serving the self-interest of its members cannot be doubted; for the units composing it will be of the average type, inclined to selfishness and injustice. If it were otherwise, if all men were just and unselfish, there would not and could not be any injustice in the distribution of wealth, and the creation of the vast machinery of Socialism would be obviously unnecessary. Though socialists hold the irrational belief that the compulsory system which they aim at will hasten the ethical development of man, even those among them who are least sanguine with regard to the time necessary for the full development of the system, cannot seriously entertain the hope that the interval will suffice for the full adjustment of man to social conditions. Therefore the regulative agency of the socialist State must be composed of men who on an average are like to, or differ but little from, the present average man. Such men, possessing absolute control over the resources of a whole nation, will sooner or later use these resources for their own advantage. "The equality of distribution," "the equal reward of labour," might be continued for the regulated masses, but, in ways devious or open, the regulators would appropriate for their own use a far larger than the average share. The

bureaucracy would live in Roman luxury, marked off in startling ways from the correspondingly increased poverty of the subject masses.

Furthermore, the love of offspring will not be extinguished by any social rearrangement. Men will still endeavour to secure to their children the same or higher positions than they themselves occupy. Hence the way of the socialist bureaucracy will be through nepotism to hereditary succession. A carefully graded hereditary caste, culminating in a hereditary despot, wielding absolute power over a people reduced to monotonous and slavish equality and deprived of all political and economic independence, would be the inevitable result. How easy it is to bring about such a revolution under democratic forms when a powerful bureaucracy aims at it, may be seen no less in the capture of nearly all the superior positions in the French army by members of the old aristocracy than in the *coup d'état* of December 1851. Nor can it be denied that the socialist bureaucracy would infinitely exceed in power that wielded by the civil and military bureaucracy of France.

Apart from and additional to these organised usurpations, there will inevitably arise unorganised aggressions, which, prompted by the dishonesty, selfishness, and evil passions of individual officials, would nevertheless be shielded by the whole bureaucratic organisation. The inevitable spirit of caste pervading every organised bureaucracy would be strengthened by still more powerful motives when the inevitable corruption had made sufficient way. At present, a male worker having incurred the enmity of foreman or manager, or a woman persecuted by the unwelcome attentions of one of them, may escape the consequences by changing his or her place of labour. No such evasion would be possible under the socialist régime, and even if, by official transfer, a man or woman escaped from the rod of a particular tyrant, nothing would be easier than to so mark his or her papers as to expose them to the like tyranny of new superiors. No man's life and liberty, no woman's honour, would be safe from the rancour or desires of officials.

The experience of the United States may again be cited in illustration of this danger. Out of the vast mass of available material I select one—the misuse of their power by the police of Chicago, a misuse which is fully equalled in other cities of the Union. The constitution of this force rests upon a democratic basis. The Mayor is elected by universal suffrage. He appoints the Chief of Police, who, in his turn, appoints the officers and men of the force. The Chief can be dismissed by the Mayor at any time, and, in his turn, can dismiss officers and men for cause shown. The whole force is thus placed as much, and more, under the control of the electors as if every police officer were directly chosen by them. Yet not only is this force generally regarded as corrupt, but it uses its power with absolute disregard of law, decency, and fairness to the poorer electors, as the following account will show. It is taken from a pamphlet[1] published by Mr. John P. Altgeld, Governor of Illinois, in which state Chicago is situated :—

"There had been labour troubles, and in several cases a number of labouring people, guilty of no offence, had been shot down in cold blood by Pinkerton men, and none of the offenders were brought to justice. The evidence taken at coroners' inquests and presented here shows that in at least two cases men were fired on and killed when they were running away, and there was, consequently, no occasion to shoot, yet nobody was punished; that in Chicago there had been a number of strikes, in which some of the police not only took sides against the men, but, without any authority of law, invaded and broke up peaceable meetings, and in scores of cases brutally clubbed people who were guilty of no offence whatever."

Mr. Altgeld supports this latter statement by citing the summing-up of Judge M'Allister in the case of The Harmonia Association of Joiners *versus* Brenan et al., as follows :—

"The facts established by a large number of witnesses and without any opposing evidence are, that this society, having leased Turner Hall for the purpose, held a meeting

[1] *Reasons for pardoning Fielden, Neebe, and Schwab.*

in the forenoon of said day in said hall, composed of from 200 to 300 individuals, most of whom were journeymen cabinetmakers, engaged in the several branches of the manufacture of furniture in Chicago; but some of those in attendance were the proprietors in that business, or delegates sent by them. The object of the meeting was to obtain a conference of the journeymen with such proprietors, or their authorised delegates, with the view of endeavouring to secure an increase of the price or diminution of the hours of labour. The attendants were wholly unarmed, and the meeting was perfectly peaceable and orderly, and while the people were sitting quietly, with their backs to the entrance hall, with a few persons on the stage in front of them, and all engaged merely in the business for which they had assembled, a force of from fifteen to twenty policemen came suddenly into the hall, having a policeman's club in one hand and a revolver in the other, and making no pause to determine the actual character of the meeting, they immediately shouted, 'Get out of here, you . . .,' and began beating the people with their clubs, some of them actually firing their revolvers. One young man was shot through the back of the head and killed. But to complete the atrocity of the affair on the part of the officers engaged in it, when the people hastened to make their escape from the assembly room, they found policemen stationed on either side of the stairway leading from the hall down to the street, who applied their clubs to them as they passed, seemingly with all the violence practicable under the circumstances."

Another instance of similar conduct, supported by numerous affidavits, is thus summed up by Governor Altgeld:—

"There was a strike on the West Division Street Railway, and some of the police, under the leadership of Captain John Bonfield, indulged in a brutality never equalled before; even small merchants standing on their own doorsteps and having no interest in the strike were clubbed, then hustled into patrol waggons and thrown into prison on no charge, and not even booked. A petition, signed by about 1000 of the leading citizens living on

and near West Madison Street, was sent to the Mayor and City Council, praying for the dismissal of Bonfield from the force, but on account of his political influence he was retained."

When such brutal and illegal conduct on the part of officials, appointed by the election of the people, can go unpunished under existing conditions in the United States, where the bureaucracy is not numerous and powerful, how can it be prevented under the conditions which Socialism will create? Even prominent advocates of Socialism have some slight perception of this danger, as is shown in the following statement made by Mr. and Mrs. Sidney Webb :[1]—

"Though it may be presumed that the community as a whole would not deliberately oppress any section of its members, experience of all administrations on a large scale, whether public or private, indicates how difficult it always must be, in any complicated organisation, for an isolated individual sufferer to obtain redress against the malice, caprice, or simple heedlessness of his official superior. Even a whole class or grade of workers would find it practically impossible, without forming some sort of association of its own, to bring its special needs to the notice of public opinion and press them effectively on the Parliament of the nation. . . . In short, it is essential that each section of producers should be, at least, so well organised that it can compel public opinion to listen to its claims, and so strongly combined that it could, if need be, as a last resort against bureaucratic stupidity or official oppression, enforce its demands by a concerted abstention from work."

The suggestion that aggrieved individuals might, "as a last resort against bureaucratic stupidity or official oppression," enforce their claims "by a concerted abstention from work," startlingly exhibits the want of comprehension, from which all socialists appear to suffer, of the concomitant changes in social conditions which the establishment of Socialism must engender. For how are men to declare and maintain a strike in the face of

[1] *Industrial Democracy*, pp. 824, 825.

a bureaucratic power such as Mr. and Mrs. Webb themselves deem it possible to arise under Socialism? Apart from direct punishments, which might easily be inflicted for such an act of insubordination, how are the strikers to maintain themselves for a single week? All supplies, food, clothing, materials for heating and cooking, and the many other daily requirements of a household, are in the possession of the bureaucracy. The bureaucracy would, therefore, have no difficulty in practising Bebel's maxim, that "he who will not work has also no right to eat." A mere mandate to refuse supplies to the strikers and their dependants would either enforce immediate submission, or would end the trouble of officialdom by the speedy death of the strikers.

The ultimate social and political outcome of Socialism, therefore, must be an all-pervading despotism on the part of the rulers, and a degree of slavery on the part of the ruled masses, such as has not existed in Europe even during the worst times of Roman and mediæval oppression. The slavery which accompanied Communism in ancient Peru would be reproduced, in an aggravated form, among the nations of Europe. Inevitably the time would come when, all initiative, all individuality, and patriotism having been crushed out, a catastrophe, like that which destroyed the Inca state, would overwhelm the nation, forming, perhaps, the starting-point of a new evolutionary process, by which, through a like apprenticeship as that of the last thousand years, the people might re-arrive at the point at which they now stand, and choosing a worthier course, would enter upon the road to a wider and truer freedom, from which Socialism endeavours to seduce them.

CHAPTER V

THE INDUSTRIAL OUTCOME OF SOCIALISM

THE socialist organisation of industry, substituting State-regulation for self-regulation, compulsory co-operation for voluntary co-operation, equal reward for reward according to service rendered, must also rely upon other motives for exertion than those prevailing under a system of universal contract.

The motive, and only motive, for industrial exertion is the desire to enjoy its fruits. If men could satisfy their material desires without industrial exertion they would not undergo such exertions. Likewise would they abstain if all reward were withheld from them. When men receive as a reward the full result of their mental and physical industrial exertions, the motive for such exertion is strongest. It becomes less active as a greater part of the result of their exertion is withheld from them. The efficiency of labour, therefore, other things being equal, is dependent upon the system of distributing the results of labour. In so far as this system is unjust; in so far as the reward of one falls short of the services rendered by him, and the reward of another exceeds the value of his services; in so far it must also reduce the efficiency of labour. For the men who are uncertain whether their exertions will meet with their due reward, and still more those who are certain that their due reward will be withheld, will not exert themselves to the fullest extent and their labour will fall short of its fullest efficiency. Still more will this be the case with those who expect or know that their reward will not be substantially affected if they

fail to labour efficiently. This divorce between exertion and reward is one of the main reasons for the universally recognised inefficiency of serf and slave labour. The existing system, suffering from injustice in distribution, largely reduces the efficiency of labour. Under Socialism, however, the reduction in efficiency must be very much greater. For though under the existing system the great majority receive rewards of less value than that of the services rendered by them, yet this reward generally falls and rises with the value of their services. The motive for exertion, while lessened, is not rendered inactive. Under Socialism, postulating equal rewards for unequal service, however, this motive would cease to exist. As no one could hope to increase his reward by increased mental and physical exertion, so no one could fear to lessen his reward by reduced exertion. Labour would, therefore, become infinitely less efficient than it is under existing conditions.

Socialists urge two replies to these arguments. They contend that the desire for material reward is not the only motive for industrial exertion, and that self-interest will continue to stimulate individual exertions under a system of equal rewards.

In support of the first contention, they cite the conduct of soldiers, who, though no material reward may await them, yet eagerly contend for the immaterial reward which valorous conduct brings. There is, however, no analogy between exhibitions of valour and industrial exertion. Other things being equal, the most courageous soldier is also the most popular with his comrades. If cowardice were admired as courage is, few would be guilty of acts of exceptional courage. Even if it were admitted that, under Socialism, exceptional exertion in industry would secure to him who habitually exhibits it as much admiration as acts of valour do now, the motives for exertion would still be largely reduced. For such popularity can and always would coexist with justice in distribution, and the expectation of increased material reward is, therefore, an additional motive to the expectation of popularity. As one is less than two, the withdrawal of the former motive must lessen the inducement to exertion by at least one-half, even if it

were admitted that in its absence popularity would attend exceptional exertions.

Exceptional exertion, however, fails to secure popularity in the absence of justice in distribution. Among clerks in Government offices, he who earnestly strives to fulfil his duties, who wastes no time and renders the greatest service, is, as a rule, unpopular with his colleagues. This trait is still more pronounced among industrial labourers. In the gang system, prevailing in American boot-factories, the quickest workman is placed at the head of the gang, and the succeeding ones must keep pace with him or the material accumulates before them. This man, far from being popular, is generally the most unpopular. The reason is, that his greater exertion imposes a like increase of exertion upon his fellows without any addition to their wages. This rule holds good throughout. The more efficient workmen are generally unpopular with their fellows, because their presence raises the standard of efficiency expected from all without addition to their reward.

Under Socialism this tendency would be much stronger, unless, as some socialists assert, self-interest will continue to induce increased exertion under their system of distribution. This, the second contention alluded to, is, that, as the reward of each is determined by the total divisible product of all labour, this reward, though equal with that of all others, is nevertheless affected by the amount which the labour of any individual contributes to the common stock. If, for instance, the number of those amongst whom the social labour product is divisible is one million, then the reward of an individual labourer is augmented by the one-millionth part of the product of any increased exertion he may undergo.

This argument admits, what socialists elsewhere deny, the importance of self-interest as a motive for industrial exertion. For if, as this argument alleges, the receipt of an infinitesimal part of the produce of his exertion is sufficient to stimulate every labourer, how much more stimulating must be the certainty of receiving all of it. An individual worker who, under Socialism, must divide the product of his additional exertion with millions of

others, cannot from this knowledge derive as much inducement to additional exertion as if he individually obtained the whole. Nor can his conduct be affected by the expectation that the special exertion of all others will equally swell his reward and that of each of them. For the individual worker does not know whether all the workers in the same factory are exerting themselves equally with him. Still less do the workers in one factory possess such knowledge with regard to the workers in other similar factories, or the workers in one department of industry with regard to all the workers in all other departments. The tendency, therefore, will be in the opposite direction, and disregarding the possibility of obtaining a share of the product of the additional exertions of others, each worker will only see the share which he contributes to the reward of others.

Under Socialism, therefore, still more than under the existing system, every worker would exert himself as little as possible. Any workers who were to put forth greater exertions than the majority of their fellow-workers would become unpopular, because their example would raise the standard of exertion which foremen and managers would expect from all. Not only would the motive for exertion arising from coequal reward be absent, that of self-interest, but there would also be absent the other motive which socialists want to substitute for it, the approval of fellow-workers. On the contrary, self-interest would cause efficiency to be regarded with disapproval.

The only substitute for voluntary co-operation is compulsory co-operation. Where men cannot hope to receive an increased individual reward for increased exertion, the only alternative, capable of inducing exertion, is compulsion. Fear must take the place of hope ; sullen resentment that of cheerful anticipation ; distaste for exertion that of joy in the work produced. The feelings and opinions of the slave-gang, cowering under the lash of a driver, must displace all other motives to exertion, and the efficiency of labour under Socialism must sink to the inefficiency which is the universal attribute of slave-labour.

The factors which thus tend to reduce to the lowest ebb the efficiency of the regulated labourers would likewise tend to reduce the efficiency of the regulating organisation.

All experience proves that industries are most efficiently conducted by individual undertakers. Where associations of capitalists, acting through paid managers, conduct industries, the efficiency of management is generally impaired. Where the industry, so conducted, is based on a monopoly, the loss of efficiency is still greater, and it is most serious in industries conducted by governmental agencies.

Various reasons account for these differences in efficiency. The individual undertaker is stimulated to the greatest mental and physical exertion by the knowledge that his income will vary with the efficiency of the services rendered by him, and by the fear that competitors, rendering more efficient service, will deprive him of part or the whole of his income.

The manager of a public company, whose income varies less directly and fully with variations in the efficiency of the services which the company renders, is under the domination of this motive to a smaller extent. Nevertheless, inasmuch as the directly interested shareholders watch his conduct through some of their members, the board of directors, the manager's exertions are stimulated to some extent through hope of additional reward and fear of loss of position and reputation.

Where an industry is based on monopoly, the income of the company conducting it does not necessarily vary with the efficiency of the services rendered by it. Such companies as, for instance, railway and tramway companies, may even increase their net earnings by rendering service of less efficiency. Hence the pressure of shareholders and directors on the managers in the direction of efficiency is either reduced, or absent, or pressure in the direction of less efficiency is substituted.

When an industry is conducted by a governmental agency, no one is directly dependent for his income upon the efficiency of the services which the industry renders. The main motive stimulating mental and physical exertion

in the conduct of industries owned by private individuals and public companies being thus withdrawn, the management, almost invariably, becomes least efficient.

Other causes co-operate in producing these variations in efficiency. Where one or more individuals, directly affected by the result, supervise the conduct of an industry, personal initiative is least fettered and great flexibility possible. The wishes of individual clients can be easily responded to, new situations can be met quickly and easily, and the industry can adapt itself to changing conditions with the least friction.

When an industrial undertaking is so large as to require an extensive and graduated managerial organisation, much of this flexibility and adaptability is lost. Fixed rules, limiting the authority and prescribing the action of every unit in the organisation, must be substituted for personal initiative. Each grade in the regulative machinery is more or less fettered; the lower grades cannot grant unusual requests or adopt new methods without applying for permission to officers of superior grade; these again transmit the request to still superior officers; and invariably practice, more or less, takes the place of flexibility.

This graduation, limitation, and inflexibility is greatest where an industrial undertaking forms merely a part of a still wider graduated organisation. For where this condition exists, the ultimate decision rests with officials generally possessing no personal knowledge of the circumstances which induce the proposals of subordinates. Unwillingness to accept responsibility on the advice of subordinates, therefore, generally leads to the rejection of their proposals; and even when they are adopted, the unavoidable delay frequently retards action till the conditions it was to meet have again changed. Invariable routine, involving great loss of efficiency, therefore, is the almost universal attribute of industries, the regulative agency of which forms part of the general governmental agency.

These two causes combine to reduce the efficiency of governmental industrial undertakings to the lowest level,

even when, as at present, they are exposed to comparison or competition with similar private undertakings of greater efficiency. When, however, all industries are conducted by the State, when even this last stimulus is withdrawn—when, moreover, the regulative agency is no longer exposed to the stimulating influence of criticism in Press and Parliament,—the loss of efficiency in management must be infinitely greater than that exhibited by governmental industrial undertakings at the present time.

Another factor must add to the loss of efficiency by both the regulated and the regulators. Labour is most efficiently performed when it accords with the innate tendencies of the labourer. A youth may make an excellent teacher when he would make but a wretched miner or bootmaker; another would render far more valuable services as a farmer than as an engraver; still another would make an excellent business manager or engineer, but a very bad physician. Under the existing system, the number of those who, having special aptitude for one occupation, are nevertheless compelled to enter other occupations, is very great. A still larger number, however, either from the start or ultimately, enter upon the occupations for which they are specially adapted.

Under Socialism, however, special aptitude can be but rarely considered. Choice of occupation by the aspirants being impossible, it is equally impossible for the regulative agency to discover the special aptitude of the numerous aspirants for employment. A few possessing influence may obtain access to occupations which they prefer. The great majority, however, must accept the occupation to which they are allotted, and from which they may be transferred to any other as the necessities of the State or the caprice of officials may decide. With a few and accidental exceptions, special aptitude will thus be neglected, and men capable of doing exceptionally efficient work in one direction will be compelled to work in other directions in which their labour is specially inefficient. The loss of efficiency hence arising—a loss the magnitude of which is appalling—must be added to the loss arising from the causes previously dealt with.

Yet another cause must tend in the same direction. The efficiency of the national labour is largely determined by that of the available instruments of production and their amount. These instruments, made by labour, must be replaced by labour. Every year large deductions are made from the amount of consumption-goods otherwise available, by setting labour to produce production-goods, the fruits of which may not ripen till many years hence. This production of capital, ever increasing and providing for wants of an ever later date, is one of the functions which our society performs unconsciously. Under Socialism it would have to be performed consciously. The regulative authority would have to determine each year how much of the national labour shall be employed in the replacement and extension of national production-goods. The labour thus employed is withdrawn from the production of goods which can satisfy wants in the near future, and directed towards the satisfaction of wants which may arise in the distant future. A large and ever-increasing deduction is made from the national dividend becoming divisible in any year, in order to increase the dividend which may become divisible in distant future years. Will the officials be anxious to sustain such a far-sighted policy, and will the people welcome it? The probability is all the other way. The majority of any people are short-sighted and improvident, unwilling to renounce present enjoyment for future enjoyment. Still stronger is this tendency when the abstention from present enjoyment is not manifestly to their own individual advantage and that of their children. Those who are improvident will desire the largest possible dividend from the national labour in order to enjoy it. Those who are provident will desire the same in order to increase their individual savings. A large deduction from the national dividend for the adequate replacement, and still more for the extension, of the national capital will, therefore, be extremely unpopular with the large majority. Similar sentiments animate the official hierarchy, which, moreover, would derive no immediate and personal benefit from an action which, nevertheless, would expose it to great un-

popularity. Hence must arise a tendency, not only to abstain from adding to the national capital and to the length of productive processes, but to actually curtail the replacement of national capital and to reduce the length of productive processes, and, consequently, to a further reduction in the efficiency of the national labour.

Four powerful causes thus co-operate to reduce the efficiency of labour under Socialism. They are :—The withdrawal of all motive for mental and physical exertion in production when reward is divorced from the value of the service rendered. The substitution of compulsory co-operation for voluntary co-operation. The neglect of special aptitudes, and the reluctance to extend, if not the desire to shorten, processes of production.

The inevitable result of reduced efficiency is a reduction of the amount and a lowering of the quality of goods and services produced. As already pointed out,[1] equality of reward and the determination by the regulative agency of the kinds and quantities of goods to be produced by the national labour, must inevitably lead to an enormous reduction in the kinds and qualities of goods produced. The tendency must be to confine production to as few designs, colours, and qualities of every kind of goods as practicable, and to make these permanent. The tendency towards monotony and uniformity thus arising would be supported and strengthened by the falling-off in production due to inefficiency. As labour becomes less productive, the production of goods required for comfort and for ornamentation must be curtailed, and labour must be concentrated upon the production of bald necessaries. With every further loss of efficiency this process must be extended, until the national dividend, receivable by every citizen, will consist of a smaller amount and variety of goods and services than is now at the command of average artisans. Not only monotonous uniformity, but general poverty, is thus the inevitable result of Socialism. Equality of income will be achieved at least among the regulated masses. But it will not be done by raising the income of all to a level above that enjoyed by the great majority of the

[1] Part IV. chap. ii.

people to-day. On the contrary, the income of all will be reduced to the level of that which is now the lot of those whose condition appeals most strongly for relief. Instead of raising the material condition of this unfortunate minority, Socialism must lower to their level the material condition of all. A monotonous equality in unavoidable poverty will be the condition of the whole people in the socialised State.

CHAPTER VI

THE FAMILY UNDER SOCIALISM

RACE-PRESERVATION entails the subordination of the life of the individual to that of his offspring. In many of the lower forms of life this subordination is carried so far, that parental life ceases with the act of reproduction. During the course of the evolutionary process, however, the drain on parental life decreases, mainly by substituting post-natal care of offspring for stupendous fertility as a means of securing the continuance of the species. Post-natal care of offspring, moreover, involving the satisfaction of parental love, affords compensation for parental sacrifices. Among the most highly evolved animals, therefore, an approximate reconciliation is reached between individual interests and the interest of the species, through a great reduction in the drain on parental life, and in the compensation afforded by the experience of vividly felt parental pleasures.

In the human race the reconciliation between the life of the individual and the life of the race is carried still further, and it culminates in the most highly evolved races of men. Among savages parenthood begins at an early period; mortality of children is great and is compensated for by many births; the life of individuals is but little prolonged beyond the reproductive period; and parental pleasures are enjoyed only for a comparatively short time. Among the most highly civilised races, on the other hand, the period of life preceding reproduction is most prolonged; mortality during childhood and adolescence smallest; the number of births fewest; the period of life following cessation of reproduction longest;

and the companionship of parents and children being longest, parental pleasures are enjoyed during a longer period and with greatest intensity. It follows that the highest ethical and sociological relation of the sexes is that which ensures the continuation of the race with the least sacrifice of parental life to the lives of progeny, while affording the greatest satisfaction of parental love.

The regular relations between the sexes among civilised nations and the corresponding sentiments are a result of evolution. Among the lowest savages these relations are unregulated and promiscuous. Chastity of either males or females is not valued; and even when the possessory instinct causes men to place a restraint on the women appropriated by them, they easily give their consent to temporary cohabitation with other men. As higher types of human society evolve, marital relations become more definite, and chastity, at least of females, comes to be valued. Among the highest types, the marital relation has become most definite and permanent, chastity has come to be regarded as a cardinal virtue in females, and its absence is beginning to be despised in men. Progress towards higher types of human society is thus inseparably accompanied by progress towards higher—more definite and permanent—marital relations.

At the same time, these relations have grown more into accordance with the recognition of equal rights. Polyandry grants a licence to women which it denies to men, polygamy grants to men a licence which it denies to women. Monogyny alone recognises the equal rights of the two sexes.

The evolution of higher animal types is dependent upon the growth of parental feelings and the consequent prolongation and intensification of parental care. In the human race parental care is more elaborate and prolonged than in any animal species, and grows more elaborate and prolonged with every advance in type. Among the highest races it not only embraces the children while they reside in the parental home; not only employs complex agencies for physical and mental culture and moral discipline, but it follows children into the world and provides them with means for material wellbeing. With this elaboration and

prolongation of parental care, the outcome of a greater intensity of parental love, there arises filial and fraternal attachment and love. Unknown among animals, feebly developed and short of duration among savages, filial and fraternal love and the consequent care of aged parents, of sisters and brothers, becomes gradually stronger as higher types evolve from lower, until among the most highly evolved members of the highest types of men it blossoms into lifelong gratitude and ardent filial and fraternal devotion.

The parental, marital, filial, and fraternal relations, thus binding together several generations, are sources of the greatest and purest happiness. Resting, not upon self-love, but upon the love of others, the happiness experienced by each is derived from the happiness conferred upon others. The greatest sum of human happiness, therefore, arises from those marital relations which, most closely and permanently uniting the lives of husband and wife, parents and children, secure the continuation of the race with the least number of births.

The marital relation which most efficiently subserves these objects is the permanent, monogynic relation, which, as a consequence, is that of all the highest types of human society. The permanent and exclusive companionship of one man and one woman, resulting in common interests, sentiments, and tastes, and involving mutual sacrifices, continuously intensifies the marital affections. Their common love for their joint children reflects upon the feelings of the latter and binds them together into fraternal affection. The absence of the jealousies and contentions, inseparable from polygynic unions, intensifies marital, parental, filial, and fraternal affections. The care of children being permanently assumed by both parents, both secure the largest measure of satisfaction of parental love, while securing the wellbeing of the children more efficiently than if, as in temporary unions, it devolved upon one parent alone. As a consequence, the mortality of children is reduced and a smaller number of births suffices to ensure the continuation of the race.

Socialism, modifying, to a considerable extent, the

permanent monogynic relation of the sexes, must in this and other ways alter the constitution of the family, and, therefore, must lead to retrogression in this, the most important, as in other spheres of social life. As shown in Part I. chapter vi., among its immediate results are: the economic independence of women; the abandonment of separate family homes and the early separation of children and parents, and the transference of the former to the care of the State. The further results following upon these profound modifications of the constitution of the family must now be examined.

The separation of children from parents at a tender age destroys the opportunity for the development of parental love, which grows upon the daily and hourly self-sacrifice which the care of young children demands. Still more must it destroy the opportunity for the development of filial and fraternal affections. The greatest and purest opportunities for happiness must thus be destroyed by Socialism.

The loss of this happiness must be accompanied by the loss of ethical training and sentiments of the highest order. The care of children, involving constant sacrifices of self-regarding desires, affords the highest training in altruistic sentiments. Hourly and daily the parents, and especially the mother, must subordinate their egotistic pleasures to the welfare of their children. This training in self-sacrifice, this evocation of unselfish emotions, influences the character of the race and, accumulating in influence from generation to generation, originates and furthers altruistic sentiments in other social relations. At the same time, the ethical standard is still further raised by the influence which such self-sacrifice and the general purity of the home-life exercises upon children. The constant experience of and training in unselfish actions strengthens the altruistic sentiments hereditarily derived, and the love and reverence of sons for mothers and sisters is the foundation of the respect for womanhood in general.

As parental love is the source of all altruistic sentiments and emotions, so does the care of parents for children

afford the highest training in altruism. Not only would the further evolution of altruistic sentiments be hindered by the early surrender of children to the State, but the individual training in altruism would also cease. The altruistic sentiments, which, however deficient as yet, have nevertheless made great progress, would thus gradually be lost again, and there must rise such selfishness as would ultimately threaten the very existence of human society. Just as higher types of human society have arisen through the better discharge of parental responsibilities, so must the non-discharge of such responsibilities by parents lead to the re-evolution of lower types, to the decadence of the human family into mere animalism.

Another consequence must arise. The bearing of children, connected as it is with physical restraint and intense suffering, is undergone reluctantly by all women. The only compensation for the sacrifices involved, the only consideration which makes it acceptable to women, is the expected satisfaction of the maternal sentiment from the loving care for the new-born child. Will maternity be accepted with like willingness when this compensation is withdrawn ; when the new-born babe is taken from its mother after a few weeks or even months ; when during the agony of parturition the mother looks forward to the further agony of losing her child ? That under such circumstances women will be willing to take upon themselves the suffering and sacrifices involved in the bearing of children seems unlikely. Under Socialism, therefore, the birth-rate is certain to contract, and in all probability will contract to an unprecedented extent. The socialist nations, instead of expanding, will become reduced in numbers, the birth-rate will fall below the death-rate, and Socialism will ultimately disappear because socialists have died out.

The general reluctance, if not refusal, of women to bear children must have further consequences. It robs the sexual relation of its ethical justification and value, and, therefore, leads to the degradation of both men and women. Marriage itself, when Nature's design is deliberately frustrated, is hardly to be distinguished morally from prostitution, even

when the relation remains permanently monogynic. But under the conditions created by Socialism it cannot remain so. Woman, deprived of the satisfaction of the emotions which the love and care of her children yields, will seek to fill the void in other ways. Failing to find full satisfaction for her yearnings—probably not fully understood—in the companionship of her husband, she will look for it elsewhere; and, still unsatisfied, will go further afield. Divorce and re-divorce will become so largely desired, that it must be made easy; and will be so largely availed of, that marriage generally becomes but a temporary arrangement.

Other considerations support this view. While the maternal sentiment is highly developed in most women, the majority of women as well as men do not feel other emotions very deeply. The love of which poets sing; the love which laughs at all obstacles and possesses the soul to the exclusion of everything else, is not the lot of the common herd. Minor emotions, more fleeting and less ennobling than this, draw them to the great purpose of life—the continuation of the race. The great majority of marriages, therefore, as yet, are not and cannot be perfect unions. When the first delirium is over, the hero's dimensions shrink to those of an ordinary man and the angel loses her wings. Then come the weeks and months which try temper and nerves; during which both would gladly exchange the marital yoke for their former freedom. But there is no ground for divorce, and shame as well as pecuniary considerations prevents separation. Presently, approaching motherhood invests the wife with a new glory in her husband's eye; his tenderness, as well as the further joy that awaiteth her, clothes life in its brightest colours. When the baby is born, its innocent hands constantly strengthen bonds which otherwise would yield under the strain, and its smiles forge other and more powerful ones. Gradually, under the influence of their common life—common interests and common love of children—husband and wife find each other, and the union, at one time so unpromising, becomes more perfect the longer it lasts, securing to both the utmost happiness of which their defective natures are capable.

It will be far different under Socialism. The pecuniary independence of women will cause them to be less patient with the ill-temper of a badly bred or exacting husband; the absence of a separate family home, involving public repasts and the spending of all spare time in public, prevents the close intimacy under which the nature of husband and wife mingle till they are one. The absence of children, or their removal from parental care, deprives the union of any ethical value and of the only bond which can tie it securely. In the great majority of instances, therefore, to the unsatisfied maternal emotions there will be added actual dissatisfaction with their marital lot either on the part of husband or wife or both. These influences must tend to multiply divorces, while the influences tending towards restraint have been removed. Divorces and re-divorces, therefore, must tend to increase, till public opinion will see nothing shameful in the most frequent changes of marital relations. The chastity of women, already approaching perfection, and the chastity of men, which, though as yet far from perfect, has nevertheless improved and is still improving, will be lost again. Licence will take the place of restraint, a licence such as Rome indulged in during her decline, when reluctance on the part of women to bear children, accompanied by the utmost profligacy, prepared the downfall of the rulers of the world.

The influence of these conditions must deprive large numbers of women of all chance of permanent happiness. The attractiveness of woman to man, being more physical than that of man for woman, wanes earlier. Middle-aged men, therefore, may and frequently do attract young women, while in exceptional cases only do middle-aged women possess any sexual attractiveness for young or middle-aged men. Whatever, therefore, lessens the permanency of the marital relation must tend to deprive numbers of women of male companionship during their declining years. The condition which Socialism must create, being that of extreme instability of the marital relations, must, therefore, react unfavourably on the lives of women to an incalculable extent.

Meanwhile, the training of the children by the State, while adding to these tendencies, must produce further evils. This training must in the first instance be undertaken by professional nurses, to each of whom many infants must be entrusted. Though their training may give them a better knowledge of the treatment of infants than many mothers possess, yet that knowledge cannot compensate for the sleepless watchfulness of a mother and her constant care. The high death-rate of foundling hospitals, while to some extent accounted for by the origin of their inmates, is, nevertheless, largely due to this substitution of professional for maternal care. The death-rate in the State nurseries, therefore, will be similarly great, adding to the tendency to depopulation previously described.

The surviving children, from the earliest dawn of their intelligence, will be exposed to influences far different from those which would have shaped their character in the parental home. For the training through sympathy will be substituted a training through fear. The elastic bounds to the natural wilfulness of children, which parental care accommodates to the proclivities of each child, will give way to fixed rules to which all children must accommodate themselves. The dawning intelligence of childhood, provoking constant questions in its endeavour to understand, will be repressed and confined to fixed and uniform lessons. Breach of rules will lead to punishment, but no expression of love will encourage and meet repentance. At the very time, therefore, when the intelligence of the future men and women is most easily impressed, when as a consequence the foundation of character is being laid, influences are at work which must deteriorate character. Absolute, unquestioning obedience; abject fear of persons in authority; selfishness, untruthfulness, and moral cowardice, must be the attributes of persons whose early childhood has been exposed to such conditions.

The retrogression here sketched will be aided by another cause. As the children of those less adapted to the requirements of social life will be exposed to exactly the same conditions as the children of those better adapted, all will have an equal opportunity to survive.

Instead of the survival of the fittest, *i.e.* those best adapted for the requirements of social life, there will arise the survival of the physically strongest, regardless of other and socially more important qualities. Mere physical strength will supplant the socially beneficial qualities, adding hereditary retrogression to the retrogression induced by training.

Socialism, disregarding the lessons of evolutionary history in the sphere of the family, as it disregards them in other spheres, must bring the utmost evils on the nations which adopt it. Nature inevitably punishes the breach of any of her laws ; where the breach is great the punishment is great and terrible. All life arises from the due discharge of parental responsibilities, and only through the better discharge of such responsibilities have higher types of life been evolved. To disregard this law is to abandon the very foundation of social life. Retrogression, decay, and eventual extinction will inevitably follow upon such action ; they are the fruits which grow upon the tree of Socialism.

Lest it be said that the picture here drawn is unjust to socialists and Socialism, it may be prudent to cite some evidence that it is not so regarded by many leading socialists. A few quotations from the interminable mass available will, on the contrary, prove that these socialists aim at bringing about exactly such conditions as have here been shown to be the inevitable outcome of the adoption of Socialism. Nevertheless must it be remembered that the great majority of socialists may be and probably are out of sympathy with these aims and ignorant of the goal to which Socialism leads.

" Human beings must be in a position to act as freely, where their strongest impulse is concerned, as in the case of any other natural instinct. The gratification of the sexual impulse is as strictly the personal affair of the individual as the gratification of any other natural instinct. No one has to give an account of him or herself, and no third person has the slightest right of intervention. . . . All these checks, all these contradictions to nature, in the present position of women have led even persons who are

not disposed to accept the further consequences of change in our present social state to recognise the justifiability of a perfectly free choice in love, and, if need be, of an equally free dissolution of the relationship, without any external hindrance." [1]

"The present marriage system is based upon the general supposition of the economic dependence of the woman on the man, and the consequent necessity of his making provision for her, which she can legally enforce. This basis would disappear with the advent of social economic freedom, and no binding contract would be necessary between the parties as regards livelihood; while property in children would cease to exist. . . . Thus a new development of the family would take place—an association terminable at the needs of either party." [2]

"The present marriage laws hinder the socialist approach to the ideal. Because we hold Socialism will ultimately survive as the only tenable moral code, we are convinced that our present marriage customs and present marital law must alike soon collapse. . . . In a socialist form of government, the sexual relation would vary according to the feelings and wants of individuals. . . . Children apart, we hold it intolerable that Church or Society should in any official form interfere with lovers." [3]

"It would be the duty of the State to scientifically investigate the whole system of checks and to spread among its citizens a thorough knowledge of such as were harmless and efficient in practice." [4]

"Marriage is a life sentence, not even reducible to a term of twenty years. . . . Monogamic marriage — a thing obviously and by its nature degrading. . . . Perhaps the most decent thing in true marriage would be to say nothing, make no promises either for a year or for a lifetime. . . . It would be felt intolerable in any decently constituted society that the old blunderbuss of the law should interfere in the delicate relations of wedded life." [5]

[1] Bebel, "Woman," *Woman in the Future*, pp. 229, 230.
[2] William Morris and E. B. Bax, *Socialism*, p. 199.
[3] Karl Pierson, *Socialism and Sex*, pp. 5, 6, 8, and 14. [4] *Ibid.* p. 15.
[5] Edward Carpenter, *Marriage in Free Society*, pamphlet published by The Labour Press Society.

CHAPTER VII

THE ETHICAL OUTCOME OF SOCIALISM

HUMAN beings are modifiable physically and mentally. Hereditarily derived qualities, by small changes, are brought into harmony with external conditions. Every theory of physical and mental training; every proposal to encourage virtue and to discourage vice; every attempt to develop moral sentiments and æsthetic perceptions, is based on the recognition of the fact, that the use or disuse of faculties is followed by an adaptive change in them, resulting in increase or loss of power.

Moreover, such modifications are inheritable. By the accumulation of small changes from generation to generation, constitutions are adapted to outward conditions. A climate, fatal to other races, is innocuous to the adapted race. Races have become immune to diseases previously fatal to them, and still fatal to other races. Powers of smell and sight have diminished among civilised races, while the strength of reason and the breadth of emotions have increased. Similarly, races sprung from the same stock have acquired different aptitudes and tendencies under the influence of different historical and geographical surroundings. This process of differentiation is going on at the present day in a manner easily recognisable. The people of the United States and of the Australian colonies, even those of purely British stock, are developing national characters and physical types, differing from those of each other and from those of the parent stock, under the influence of the new conditions in which they are placed. This process of adaptation is proceeding always and every-

where. It follows, therefore, that like adaptive modifications of character must follow every change in the social environment.

It is true that the ideas and sentiments of the individual members of a society tend to mould the character of that society into harmony with themselves. It is, however, no less true that the control exercised by any society over its members tends to mould their ideas and sentiments into congruity with its character. Mutual modifications thus becomes cause of transformation in both. Changes in the nature of the individuals composing a social organism sooner or later find expression in corresponding changes in the structure of the organism; and changes in the structure of the social organism bring about corresponding changes in the nature of the individuals composing the organism. These changes find expression in the average feelings and opinions of individuals. Qualities which are regarded as virtues in one state of society come to be regarded as vices in another, and *vice versâ*.

Among savages, living almost exclusively on the produce of the chase, where the consumption of one must necessarily lessen the opportunity of all others to maintain themselves, where, as a consequence, unserviceable members of the horde are almost as great an evil as the encroachment of another horde on the tribal hunting-grounds, cruelty and treachery are regarded with supreme approval. The impossibility of carrying on military operations on a grand scale without strict discipline and obedience causes another set of sentiments to be valued amongst great military nations. Unswerving loyalty and unquestioning obedience are held to be supreme virtues, and disloyalty and disobedience are regarded as the worst of crimes.

Among industrial nations, trained in the *régime* of contract, where service is exchanged for service, still another set of sentiments is valued. Resistance to unauthorised exercise of power, love of freedom and independence, justice and honesty, are regarded as cardinal virtues; while servile submission to the will of superiors and dishonesty are regarded with contempt, and cruelty with horror.

Innumerable and incongruous minglings of these several sets of sentiments correspond with the multitudinous stages in the transition from one to another of these several social states. They may be observed even among civilised nations. In Russia the preponderance of militarism causes loyalty and unquestioning obedience to authority to be regarded as the supreme virtues, and successful lying to be admired. Nevertheless, the small amount of industrialism which prevails has to some extent created respect for honesty, love of freedom, and justice. In Germany, where industrialism is more highly developed, love of freedom, independence, and honesty are regarded as virtues of similar rank to loyalty and obedience. In Great Britain, and in her self-governing colonies, as well as in the United States, the preponderance of industrialism causes independence, honesty, love of freedom and of justice to be regarded as virtues of the first rank, without as yet entirely removing the respect thought to be due to loyalty and obedience.

Socialism, profoundly modifying the structure of society, must cause a like profound modification of ethical conceptions. The natures resulting from a life carried on under compulsory co-operation and equality of reward must differ widely from those resulting from a life carried on under voluntary co-operation and the conformity of reward to service rendered. While it is not possible to depict in detail the resulting ethical changes, the experience of the past, nevertheless, enables a general forecast to be made.

In a community in which all the affairs of life are regulated by governmental agencies, where men and women, from their earliest childhood, are accustomed to act in obedience to such agencies, they must come to forget that affairs can be otherwise regulated. The members of the regulated classes are not allowed, and from early childhood have not been allowed, to do anything except what some superior prescribes. These superiors themselves are bound by strict regulations which cannot be suspended except by some official of a higher grade, and these, again, are dependent for unusual acts upon the

permission of still higher authorities. Men whose every action has been and is thus controlled and regulated by more or less distant and generally unknown authority, lose the habit of acting upon their own impulses, and the consciousness that independent action is possible. Comparison of the numerous philanthropic, artistic, scientific, educational, and other objects achieved by the voluntary co-operation of private persons in Great Britain and the United States, with the paucity of such instances of individual initiative in Russia, and even in Germany and France, exhibits the tendency towards dependence upon authority which the exercise of authority engenders.

Socialism, with its necessarily minute regulation of every industrial action, and extensive regimentation of the regulative agency, must develop this tendency to an almost inconceivable extent. Personal initiative and enterprise having become impossible, the consciousness of their possibility and the habit of independent action must be superseded by passive reliance upon authority and dumb obedience to its orders.

The recognition of equal rights, and the sense of justice and independence, result from the relation of contract. Under this relation every benefit is consciously purchased by effort, by rendering some benefit in return. Every individual rendering a service is entitled to obtain from others such service in return as the value of the former warrants. The daily and hourly recurrence of such exchanges under agreement, and the consequent balancing of claims, involves the maintenance of self-rights and the sympathetic recognition of other rights. Hence arises habitual recognition of equality of rights, *i.e.* the sense of justice, of independence and love of freedom, leading to resistance to the exercise of unauthorised power and to acts of injustice.

Socialism, substituting status for contract, must also substitute related sentiments for those which originate in the relation of universal contract. The cessation of contracts must terminate the constant recognition of the equal rights of the contracting parties upon which all contracts are based. The constant fostering of the assertion

of self-rights, and of the recognition of others' rights, therefore, is lost, and must ultimately lead to the loss of the correlated sentiments, the sense of justice prompting resistance to infringement of rights. Aggression thus made easy must still further obscure the sense of justice, and must weaken still further resistance to aggression, until slavish submission to every act of the governing authorities becomes the universal sentiment. Resistance to governmental acts of any kind then becomes disloyalty, and slavish obedience the cardinal virtue.

This tendency is strengthened by the substitution of compulsory co-operation for voluntary co-operation; of a universal "you shall" for "I will do as much for you as you will do for me." No longer is it impersonal necessity which compels men to work, but personal authority. Authority determines the hours, nature, and place of occupation of every man and woman, and none, among the regulated classes, can know the reasons which dictate the orders which they must obey. These orders may result from necessity or caprice, from benevolence or malevolence, but they must be obeyed all the same. Slavery, therefore, takes the place of the existing insufficient freedom, and from it must result the sentiments which have accompanied slavery everywhere. Personal initiative is lost; the sense of freedom, the recognition of personal rights, must be lost; while blind obedience to orders is the one sentiment constantly fostered among the regulated masses.

This tendency is still further added to by the loss of all perception of impersonal causation in social affairs. When all such affairs are regulated by authority, the idea of self-regulation in social processes must disappear. Belief in personal causation must supplant the belief in impersonal evolution. Hence must result a still further belief in, and reliance upon, the omnipotence of the State, and a total loss of the perception that social ameliorations are brought about otherwise than through the compulsory action of governmental agencies.

With the loss of the perception of personal rights and of the sense of independence, loss of honesty and truthful-

ness must go hand in hand. To "speak the truth and fear no man" are correlated sentiments. Truthfulness is the direct outcome of self-respect, as self-respect is the outcome of the maintenance of personal rights. Where, as under Socialism, these rights are denied and lost sight of; where the individual from earliest infancy is placed at the command of a power which controls and regulates all his actions; where compulsory labour takes the place of voluntary labour, and fear of punishment is the only incentive to exertion,—honesty and truthfulness must disappear. Deceit and lying are the only weapons of defence under Socialism, as under every other form of slavery; and as, for this reason, they have become the universal trait of subject populations, so must they become the trait of the regulated masses under Socialism.

As shown in the preceding chapter, similarly related sentiments must arise from the destruction of family life. The sense of chastity must be lost; so must be lost the altruistic sentiments which, arising from parental solicitude, bind man to man and generation to generation. Brutal selfishness, wallowing in animalism, must submerge alike the brightest flowers and the unfolding buds of human evolution.

The members of the socialised State, becoming mentally and morally adapted to this State, become unadapted for any other. Instead of honesty, truthfulness, chastity, unselfishness, a high sense of justice and of independence, being regarded as the highest attributes, implicit obedience, faith in and submission to authority, must come to be regarded as supreme virtues; and injustice, unchastity, selfishness, untruthfulness, and dishonesty will provoke no censure and no repulsion. Instead of gradually rising to a higher moral state, mankind would fall back to the low level of ethical perceptions from which it has been rescued by the painful experience, the suffering and martyrdom, of untold ages.

PART V

THE SINGLE TAX

CHAPTER I

INTRODUCTION

MAN does not live by bread alone. Even if it were shown that Socialism could and would provide all with more wealth than ordinary artisans now enjoy, there would still arise the question, whether it would not deprive men of other possessions; of possessions so far superior to a mere increase in wealth that past generations have cheerfully sacrificed not only wealth, but life itself, in their defence. In the foregoing examination it has been shown that not only would Socialism sacrifice these higher possessions of mankind, but that this sacrifice would not be accompanied by any improvement in the material condition of the people.

At the same time has been indicated the cause which produces injustice in the distribution of wealth, and the secondary evils thence arising, as well as the reform which can remove this injustice, not only without sacrifice of the higher possessions of mankind, but while adding to them. This cause we found to consist of the legislative creation of private monopolies, especially of the monopoly of the land.

The removal of this cause, by the termination of all monopolies which owe their origin to special laws, and the appropriation by the social body of all natural monopolies, would, therefore, terminate the evil results which flow from this cause.

Before entering upon a detailed exposition of the manner in which this reform may be applied, so as to combine the greatest production of wealth with absolute

justice in its distribution, and without sacrificing any of the higher possessions of mankind, it may be useful to recapitulate some of the conclusions arrived at.

The principal ones were :—

(1) That all the members of a State are entitled to equal rights and equal natural and social opportunities.

(2) That every member of a State is entitled to the full and exclusive possession of all the wealth which his labour produces from equal opportunities with all others, or which he receives under contract for services rendered by him under the same conditions.

(3) That social injustice arises solely from the infringement by the State of the claim of all to equal rights and opportunities; such infringements involving the violation, by the State and by individuals, of the right of each to the full and exclusive possession of the produce of his labour or services.

(4) That social justice, therefore, cannot be achieved by further violations of the social and individual rights of the members of the State, but can be achieved solely by the abolition of existing violations of these rights.

(5) That the principal infringement of the equal rights of the members of the State consists in the legislative creation of private monopolies, especially the monopoly of the land, and that all such monopolies would disappear if the State, abolishing all taxation, were to appropriate and use for social purposes the annual rental value of all natural monopolies, *i.e.* of monopolies arising from exclusive or special rights to land.

(6) That the abolition of monopolies, destroying the power of monopolists, would also terminate the excessive power of the owners of competing capital over labour, and would enable every labourer to secure wages of equal value to that of the entire product of his labour.

In support of these conclusions the following distinctions, economic and ethical, were drawn between capital and all other forms of wealth, *i.e.* labour-products on the one part, and land in all its forms on the other part.

Economic

(1) Labour-products are the result of individual exertion, performed singly or in co-operation with others.

Land is not a product of human exertion, and the value of land arises, not from individual exertion, but from natural differences of productivity, made potent by social growth and necessities.

(2) All labour-products are ephemeral, the sole purpose of their production being their consumption.

Land exists for ever, and monopolies accumulate.

(3) Social progress reducing the requisite exertion in the production of labour-products, consequent increase of production reduces their value.

Social progress does not create any ability to produce land; it merely increases the competition for land, and consequently adds to its value.

As a result of the facts set forth in (2) and (3), the value of land, *i.e.* natural monopolies, largely exceeds the value of accumulated labour-products in every country.

(4) Labour-products cannot arise without the use of land.

Land does not arise from the use of labour-products.

(5) Labour-products are not limited in the sense that their quantity cannot be increased. On the contrary, the more labour-products are consumed the more are produced.

Land is limited. The more land any one person appropriates the less is available for appropriation by others.

(6) Private ownership of labour-products, inclusive of capital, does not add to natural rent and interest.

Private ownership of land does add spurious rent and interest, as well as profit, to natural rent and interest.

(7) Taxes on labour-products, increasing their price, tend to reduce the consumption and production of labour-products and the employment of labour.

Taxes on the value of land, reducing the monopoly and price of land, tend to increase production, the employment of labour, and therefore consumption.

Ethical

(1) Labour-products being the result of individual exertion, the right to their possession is unequal, *i.e.* dependent upon service rendered.

Land not being the product of exertion, the value of land being the result of social growth and necessities, the right to the possession of land is equal, *i.e.* no one can have a better right to the possession of land than any other.

(2) The value of labour-products is the measure of the service which their rightful owner has rendered to the community.

The value of land is the measure of the service which the community is expected to render to the owners of land.

(3) Private ownership of labour-products results from a natural right antecedent to any legislation.

Private ownership of land originally arises from violence and fraud, subsequently sanctioned by legislation.

(4) Private ownership of land involves the perpetual infringement of property rights; it enables the owners to perpetually appropriate wealth made by others without rendering service in return.

Private ownership of labour-products does not involve any infringement of property rights; it does not enable the owners to appropriate wealth in excess of the value of the services rendered by them.

CHAPTER II

OBJECTIONS TO PRINCIPLES

THE conclusions set forth in the preceding chapter, or several of them, have been, and are being, contested by socialist writers as well as by their opponents. The same objections being frequently urged by several authors, those have been selected for refutation here who claim notice, either by their representative character or by their power of argumentation.

"If labour alone gave property, the landowners' case is much better on Mr. George's principles than he admits. Suppose by labour a piece of land was banked and enclosed from the sea—made, in short, not a part of the land 'originally entailed on the puniest,' etc.—Mr. George must admit a right to it in the man whose labour made it. But what is the difference between the case put and land in general, except that in land in general there was, before labour was put on it, what has been called the 'prairie value'? That is what, if anything, was 'entailed on the puniest,' etc. Tax that, confiscate that, but not the stored labour which is on the land."[1]

"It is important to notice that, though in common talk we separate the two (land and capital), and though political economists have given a scientific dignity to this rough classification of the instruments of production, distinguishing as 'land' that which has been provided by 'Nature,' and as 'capital' that which has been made by human industry, the distinction is not one which can be

[1] Lord Bramwell, *Nationalisation of Land*, p. 9. Published at the Central Office of "The Liberty and Property Defence League."

clearly traced in dealing with the actual things which are the instruments of production, because most of these are compounded of the gifts of Nature and the results of human activity. . . .

"The natural capabilities of land are increased, and, indeed, even called into existence, by the mere development of society. But, further, every foot of agricultural and mining land in England has been improved as an instrument of production by the exercise of human labour.

"First, of human labour not on that land itself; by the improvement of the general climate, through clearing of forest and draining of marsh; by the making of canals, roads, railways, rendering every part of the country accessible; by the growth of villages and towns; by the improvement of agricultural science; and still more, by the development of manufactures and foreign commerce. Of all this human labour no man can say which part has made the value of his land, and none can prove his title to monopolise the value it has made.

"Secondly, all our land has been improved by labour bestowed especially upon it. Indeed, the land itself, as an instrument of production, may be quite as truly said to be the work of man as the gift of Nature. Every farm or garden, every mine or quarry, is saturated with the effects of human labour. Capital is everywhere infused into and intermixed with land. Who distinguishes from the mine the plant by which it exists? Who distinguishes from the farm the lanes, the hedges, the gates, the drains, the buildings, the farm-house? Certainly not the English man of business, be he landlord, farmer, auctioneer, or income-tax commissioner. Only the bold bad economist attempts it, and, we must add, some few amongst our allies, the land-nationalisers. . . .

"When we consider what is usually called capital we are as much at a loss to disentangle it from land as we are to find land which does not partake of the attributes of capital.

"For though capital is commonly defined as wealth produced by human labour, and is destined, not for the immediate satisfaction of human wants, but for transforma-

tion into, or production of, the means of such satisfaction in the future, yet railways, docks, canals, mines, etc., which are classed as capital among the instruments of production, are really only somewhat elaborate modifications of land. The buildings and the plant with which they are worked are further removed from the form of land, but we lump the lot as capital. All farming improvements, all industrial buildings, all shops, all machinery, raw material, live and dead stock of every kind, are called capital. And just as there is a purely social element in the value of land, so there are purely social elements in the value of capital, and its value, in all its forms, depends upon its accessibility and fitness here and now, and not on the labour it has cost. The New River Company's Water shares have their present enormous value not because Sir Hugh Middleton's venture was costly, but because London has become great." [1]

The "fine old crusted Tory," Lord Bramwell, writing on behalf of a body whose principal object is to maintain the existing system, thus agrees with the spokesman of the Fabian Society in asserting that no distinction can be drawn between capital, *i.e.* labour-products, and land. Lord Bramwell takes the case most favourable to his contention, "a piece of land banked and enclosed from the sea—made, in short," and triumphantly claims that if this piece of land rightfully is private property, all other land also may rightfully become private property. If the premise is true the conclusion is inevitable. But is it true? Lord Bramwell has treated it as an axiom; has made no attempt to prove it. Yet a slight examination shows that it is erroneous, and reveals the origin of the error. Land in the sense of the dry surface of the globe—that is, in the restricted sense—is confounded with land in its wider sense, as including all the energies and matter of nature outside of man and not altered by his activity. The sea is land as much as an adjoining field. It is land covered with water. Human labour removes the water from the land and raises the level of the land, but it does not "make" the land. If thereby it creates a value, that value belongs to him who

[1] "Fabian Tract," No. 7, *Capital and Land*, pp. 3, 4, and 7.

exercised the labour. The value of the improvement belongs to the improver, but not any value of the land, *i.e.* any value which may attach to the position in which he places his improvement. These two values are so easily separated that it is a widespread practice so to do. In Great Britain, where landlords are by law entitled to claim the foreshore on which their land abuts, rent is habitually paid by those who reclaim the foreshore. The landlord, not the improver, takes the land value. If the State, instead of the individual landlord, "confiscates" this value, it does exactly what Lord Bramwell demands. It abstains from confiscating "the stored labour on the land," and does confiscate the value, not due to stored labour, and which he erroneously terms "prairie value."

The Fabian pamphleteer argues his objection more elaborately. His arguments, moreover, are of several kinds. One is that no distinction can be drawn between land and capital, because "most" forms of capital "are compounded of the gifts of Nature and the results of human activity." The term "compounded," however, is a very loose one. The only meaning which can attach to the sentence in which it occurs is, that most forms of capital consist of gifts of nature altered in place or form, or in both respects, by human activities. This is true, not merely of "most" but of all forms of capital and wealth. This fact, however, does not prevent any human being from apprehending the difference between a river and a cup of water; between a clay-bed and a brick; between a deposit of coal and a ton of coal at the pit's mouth; between a deposit of ironstone and a locomotive. Though the cup of water, the brick, the ton of coal, and the locomotive are "compounded of the gifts of nature and the results of human activity," they are, nevertheless, or rather on account of this compounding, easily distinguishable from the river, the clay-bed, and the deposit of coal and ironstone, from which they were separated by human labour.

The second argument used is, that social activities, of which "no man can say which has made the value of his land," "have improved land as an instrument of pro-

duction." This is true, and it is equally true that the result of these social activities cannot be distinguished from the value of land. Being the result, not of individual activities, but of social activities, they rightfully are common property and not individual property. They, therefore, must be regarded and have been regarded throughout this work,—as by all Land Nationalisers and Single Taxers,—as part and parcel of the value of land.

It is, however, different with regard to those improvements effected by labour "specially bestowed upon the land," which, in his third argument, the pamphleteer alleges also to be indistinguishable from the land itself. Is it true that a building cannot be distinguished from the land on which it stands? Every building-lease proves the contrary. Is it true that the hedges, fences, gates, drains, and buildings on a farm cannot be distinguished from the land of the farm? It is done every year in Queensland, South Australia, New South Wales, and New Zealand, as well as in other parts of the world, where improvements are exempted from taxation which falls upon the land alone. It is likewise done wherever the tenant's property in farm improvements effected by them is recognised by law or contract. Similarly, everyday experience proves that the capital of a mine, its shafts, drives, machinery, and buildings, can be differentiated from the natural deposit, which, together with this capital, constitutes the mine. For whenever a landlord charges royalty to a mining company, both of them draw this distinction, and the appropriation of the royalty by the State would nationalise the land of the mine without infringing upon the capital of the mine.

The fourth argument is, that such capital as railways, docks, canals, mines, and the buildings and plants with which they are worked, as well as the New River Company's Water Shares, though capital, cannot be "disentangled" from land. This statement, like the preceding ones, is the result of an insufficient analysis; of the inability of socialists to separate monopoly from capital. The improvements which constitute the "road"—levelling, cuttings, bridges, ballast, sleepers, and rails, as well as the rolling stock, station buildings, repairing shops, adminis-

trative buildings, and any furniture and machinery therein—constitute the capital of a railway and have no analogy with land. The land on which the buildings stand, or on which the road is laid, as well as the exclusive privilege to the right-of-way over the continuous track, constitutes the land. The union of these two classes of things forms a railway. Yet there is not the slightest difficulty in separating the capital and its value from the land and its value. That the application of the same analytical principle to a mine yields the same result has been shown already. Nor is it necessary to do more than point out their applicability to docks, canals, the property of water companies and similar undertakings, the value of which consists partly—and in the New River Company almost entirely—of the value of special privileges in the use of natural media.

The allegation that "the English man of business" does not distinguish between land and capital, if true, would be serious. For seeing that capital, being a labour-product, is ephemeral, while land is eternal, and legal privileges to the special use of land are not exposed to wear and tear, its truth would cast serious doubt on the intelligence of English business men. The allegation, however, is erroneous. Business men, English as well as foreign, are in the habit of capitalising incomes from land, or incomes arising mainly from the privileged use of land, at a higher rate, other things being equal, than incomes arising from the use of capital. Interest at the rate of 4 per cent from railway shares is regarded as a good return; but the same interest is considered exceedingly unsatisfactory when derived from shares in a cotton factory. Or to put it in another way: an income of £1000 from ground rents would be worth £34,000 in the market, when a like income from any competitive industrial undertaking would be worth no more than £20,000, and probably less. Men of business, therefore, do not deserve the reflection cast upon them.

Finally, attention must be drawn to the crudeness of classification which applies the term "instrument of production" alike to a machine and to land. If socialists

were to be more accurate in their classification, if they were to separate the means and instruments which men employ in production from the opportunities on which they are employed, many economic and ethical errors would be avoided.

Another series of arguments, differing from those contained in the preceding extracts but coming from the same quarter, must now be examined. They are contained in the following extracts :—

"They (Land Nationalisers) use the argument that capital, unlike land, is created by labour, and is therefore a proper subject of private ownership, while land is not. Socialists do not overlook the facts on which this argument rests, but they deny, on the grounds already partly stated, that any distinction can be founded on them sufficiently clear and important to justify the conclusion drawn. But, supposing we assume it true that land is not the product of labour and that capital is, it is not by any means true that the rent of land is not the product of labour and that the interest on capital is. Nor is it true, as Land Nationalisers frequently seem to assume, that capital necessarily becomes the property of those whose labour produces it ; whereas land is undeniably in many cases owned by persons who have got it in exchange for capital, which may, according to our premises, have been produced by their own labour. Now, since private ownership, whether of land or capital, simply means the right to draw and dispose of a revenue from the property, why should the landowner be forbidden to do that which is allowed to the capitalist, in a society in which land and capital are commercially equivalent ? Virgin soil, without labour upon or about it, can yield no revenue ; and all capital has been produced by labour working on land. The landlord receives the revenue which labour produces on his land in the form of food, clothing, books, pictures, yachts, race-horses, and command of industrial capital, in whatever proportions he thinks best. The ownership of land enables the landlord to take capital for nothing from the labourers as fast as their labour creates it, exactly as it enables him to squander idly other portions of its products

in the manner that so scandalises the land nationalisers. When his tenants improve their holdings by their own labour the landlord, on the expiration of the lease, remorselessly appropriates the capital so created by raising the rent. In the case of poor tenants holding farms from year to year in Ireland, the incessant stealing of capital by this method so outraged the moral sense of the community that the Legislature interfered to prevent it long before land nationalisation was commonly talked of in this country. Yet land nationalisers seem to be prepared to treat as sacred the landlords' claim to private property in capital acquired by thefts of this kind, although they will not hear of their claim to property in land. Capital serves as an instrument for robbing in a precisely identical manner. In England industrial capital is mainly created by wage-workers who get nothing for it but permission to create in addition enough subsistence to keep each other alive in a poor way. Its immediate appropriation by idle proprietors and shareholders, whose economic relation to the workers is exactly the same in principle as that of the landlords, goes on every day under our eyes. The landlord compels the worker to convert his land into a railway, his fen into a drained level, his barren seaside waste into a fashionable watering-place, his mountain into a tunnel, his manor park into a suburb full of houses let on repairing leases; and lo! he has escaped the land nationalisers—his land is now become capital and is sacred.

"The socialists admit that labour has contributed to capital and that labour gives some claim to ownership. The socialists, however, must contend that only an insignificant part of our capital is now in the hands of those by whom the labour has been performed, or even of their descendants. How it was taken from them none should know better than the Land Nationalisers."[1]

The first allegation is, that even if capital were distinguished from land as a fit subject of private ownership on account of its being the product of labour, "it is not by any means true that the rent of land is not the product

[1] Fabian Tract, No. 7, *Capital and Land*, pp. 4, 5. Published by "The Fabian Society."

of labour, and that the interest on capital is ;" the tacit assumption being, that both interest and rent are the result of human labour, and that, therefore, no distinction can be drawn between them. In one sense, both interest and rent are the result of human labour, *i.e.* both reach the owner in the shape of labour-products. In another respect, however, they differ widely. Natural rent is not the product of individual labour but that of the superior opportunity on which labour is exercised.[1] If it is admitted that all the members of a society are entitled to equal opportunities, it must also be admitted that rent is a common possession of all of them and cannot be rightfully reduced to private ownership.

Interest, like rent, is no deduction from the product of individual labour ; but, unlike rent, is also no deduction from the product of common labour. It is the product of individual services rendered by the owners of capital.[2] Interest, therefore, cannot rightfully be made common property, unless capital can rightfully be made common property. If, then, it is admitted, as, for the sake of argument it is admitted by this writer, that capital is not a proper subject of common ownership, it follows that interest also is not a proper subject of common ownership.

The second argument is, that existing capital has not generally been produced by those who own it, while land has in some instances been acquired with capital produced by those who owned it, and the complaint is urged, that Land Nationalisers "seem to be prepared to treat as sacred the landlords' claim to private property in capital acquired by theft (legal theft), although they will not hear of their claim to property in land."

Before replying to this argument and complaint, the question must be asked, What is the object of social reform ? Is it to redress injustice committed in the past, or is it to prevent injustice being committed now and in the future ? The former is impossible. Who can say which parts of the capital now existing were rightfully acquired by their owners and which were not ? Even if the capital wrongfully acquired by present owners could be separated from

[1] See Part II. chap. viii. [2] See Part II. chaps. ix. and x.

that rightfully acquired, who knows the legitimate claimants and can restore it to them? Obviously, these difficulties are insoluble. Moreover, if the private appropriation of land were an injustice, which, committed by men now dead, affected none but their dispossessed contemporaries equally dead, on what plea could the private ownership of land be condemned now? Inflicting no present or future injustice, and the removal of past injustice being impossible, no valid claim to the dispossession of present owners could be advanced.

The only possible object of social reform, therefore, is the prevention of present and future injustice. The question whether some or most of the existing capital has been wrongfully acquired, therefore, does not concern us. Present capital will have disappeared in a few years. What is of importance is to prevent the wrongful acquisition of capital now being made or which will be made in the future. That this writer knows that private ownership of land alone gives to its owners the power to wrongfully acquire capital; that he also knows that the abolition of such private ownership would prevent capital being wrongfully taken from those who make it now, or will make it in the future, seems to be shown by the two concluding sentences of the foregoing quotation :—

"The socialists, however, must contend that only an insignificant part of our capital is now in the hands of those by whom the labour has been performed, or even of their descendants. How it was taken from them, none should know better than the Land Nationalisers."

It is the same with the claim that some land has been acquired by present owners with wealth produced by them. Men are entitled to the produce of their labour, but not necessarily to that which existing injustice enables them to obtain in exchange for the produce of their labour. A slave is no less entitled to his freedom when he has been sold than when he is in the hands of the original captor. Private ownership of land and monopolies being an infringement of the equal rights of all, conferring upon their owners the legal right to appropriate the wealth belonging to others, the question how men came to be owners of

them cannot affect the right of all others. Even if the government of a country has sold land and monopolies against wealth produced by the purchasers, the right of all others to the wealth which they produce remains intact. As this right is violated as long as private ownership in land and monopolies is recognised, private ownership, even under these circumstances, is a wrong, and must therefore be abolished.

A pamphlet, *Property in Land*, professes to show: Firstly, that the owning of land is justifiable on exactly the same grounds as the owning of any other material object; and, secondly, that land or any other thing, may be owned by some without transgressing the equal rights of others. The pamphlet is too elaborate to permit of the quotation of such parts of the arguments used as are not disputed. These, therefore, will be reproduced in summarised form.

Labour can produce nothing. It can only alter the form or place of matter. "That land is not the produce of labour affords no grounds for placing property in land on a different footing from property in other things."

"There is no form of wealth natural or artificial that is not strictly limited. The number of gold coins and the quantity of bullion . . . of pig-iron, lead, copper, etc., in the world is limited; and instead of these things being producible in infinite quantities, the quantities are so definite that a very small change in the supply or demand for any of them is sufficient to cause great fluctuations in price. Not only is it a fact that every kind of wealth is limited in quantity, it is also the fact that it would not be wealth unless it were so limited." . . . Therefore, "land does not differ from, but agrees with, all other kinds of property in being limited."

"The assumption that land is the common inheritance of mankind, as a generality, looks quite axiomatic; but when we reduce it to a particular case, we reduce it to an absurdity. The assumption is, that each of my readers and all the inhabitants of Timbuctoo are part proprietors of the land of Ottawa, *and that no one can take possession*

of an acre there, without usurping our rights.[1] Land being made by no man, any one who takes possession of unoccupied land does harm to no one. After the land has been cleared, enclosed, and cultivated, the claims of fresh emigrants to a share in it, would lead to perpetual fighting. . . . The basis of property is not the securing to each of the produce of his labour, for labour produces nothing, but the acknowledgment of the priority of claim, which is the only way to avoid continual strife."

Dealing at length with arguments advanced by Herbert Spencer in *Justice*, the following summary of the objections to the same is given :—

"The arguments given above may be summed up as follows :—The theory that land ought not to be private property rests solely on the assumption that the natural media are common property, in the sense that they belong equally to all men—an assumption which looks so rational that it has been accepted and endorsed by most of the great writers for centuries past, yet it will not stand criticism. The first corollary from the so-called axiom, that all natural objects are the common heritage of mankind, is that, as no one ought to use the property of others so as to destroy it, therefore, no one ought to use any natural object as fuel or as food, or in any other way that destroys it. If this *reductio ad absurdum* can be explained away the next corollary is that, as all material objects form part of the common heritage, the title to private property must be in all cases not merely imperfect, but absolutely bad. Again, if we accept the dictum that no one ought to appropriate any natural object unless there is enough, and as good, left for everybody else, then nothing would ever be appropriated." [2]

The first argument advanced by Mr. Spence is, that as labour cannot create anything out of nothing, labour-products are not "made" by labour, and therefore stand in this respect on an equality with land. The obvious reply to this contention is, that while land would exist in

[1] The italics are mine.

[2] J. C. Spence, *Property in Land*, published at the central office of The Liberty and Property Defence League.

the absence of man, labour-products would have no existence in man's absence. Likewise, all land would continue to exist if men were foolish enough not to use their energies productively ; but labour-products would quickly disappear. Labour-products are, therefore, differentiated from land by human exertion. The manner in which they are differentiated does not affect the question.

The contention that all kinds of labour-products are limited as land is limited is even more preposterous. Labour-products are limited only by two conditions, land and labour. The material of labour-products becomes accessible through land, as the dry surface of the globe ; labour separates them from land. Labour, that is the number of human beings and their efficiency in production, is a constantly increasing quantity, and, so far, no limit has been discovered to the material of labour-products. Labour-products, therefore, are unlimited in the sense that man has not yet discovered, if he ever will discover, the limit to their production.

Land, even in this same sense, that of the dry surface of the globe, however, is limited. Only here or there can man add to it, by converting a small area of swamp, lake, or sea into dry land, and these additions are unimportant and themselves strictly limited. Nor does the area of land grow in other ways. The more land is appropriated by one man, the less land is available for appropriation by others. Hence the area of land is limited, while the quantity of producible labour-products is, as far as man can see, unlimited.

The third and fourth contentions are, that, if land is the common inheritance of mankind, the inhabitants of Timbuctoo and of all other countries are part proprietors of the land of Ottawa, and that "no one can take possession of an acre there without usurping the rights of" all others.

The same contention is urged in a more incisive manner by Wm. E. H. Lecky :—

"If the land of the world is the inalienable possession of the whole human race, no nation has any right to claim one portion of it to the exclusion of the rest. The French

have no more right to the soil of France than the Germans. Inequalities of fortune are scarcely less among nations than among individuals, and they must be equally unjust. . . . And what possible right, on the principle of Mr. George, have the younger nations to claim for themselves the exclusive possession of vast tracts of fertile and almost uninhabited land, as against the teeming millions of the overcrowded centres of the old world?"[1]

Admitting that all men, without distinction of race or colour, have equal rights to all the earth, it by no means follows that none of them may take possession of any part of it; what does follow is, that no one of them may take more than his equal share of land, without compensating all others for the special privilege which he assumes.

All men being equally entitled to the use of land; man being unable to live without using land; man being also unable to live in society without regulations regarding the use of land—it becomes the duty of every social body to frame such regulations as will ensure the equal rights of all its members to the use of land. If all mankind formed one social body, the contention would be true, that this social body must frame regulations safeguarding the equal rights of all men to the use of the whole earth. As long, however, as men are associated in several and distinct social bodies, justice is satisfied, if each of these social bodies frames regulations safeguarding the equal rights of all its members to all the land which each of these social bodies controls. As between the members of each social body, justice requires such regulations to be framed, whether they are or are not equally framed by other social bodies.

It might, however, be contended that, on the principle of equal rights to land, no social body is justified in appropriating the rent of land for purposes beneficial to its own members alone; that the rent of all countries belongs equally to all mankind. If nations excluded the members of all other nations from citizenship this contention might be of some value. Seeing, however, that

[1] Wm. E. H. Lecky, *Democracy and Liberty*, vol. ii. pp. 293, 294.

the rent of land is the only fund from which governmental expenditure can be met without injustice; that such expenditure, equitably made, confers equal benefits on all citizens; the admission to citizenship of the members of other nations confers upon all who claim citizenship an equal share in the rent of land.

This also is the answer to Mr. Lecky's contention that the younger nations of the world have no right, as against the teeming millions of the old world, to the exclusive possession of vast tracts of almost uninhabited land. These young nations prefer no claim to such exclusive possession, in the only sense in which the term can be legitimately used here, *i.e.* that they deprive the members of older nations of the use of such land. Unable, even if they were willing, to bring the land which they control to the inhabitants of the older world, they have no objection to the latter coming to that land; nay, are anxious for them to do so. When, therefore, they have appropriated rent for common purposes they will have recognised the equal right of all men to their land.

It is true, some of these younger nations exclude or limit the admission of one or another inferior race, and in so far infringe this principle of equal right. This exclusion, largely due to causes and sentiments which originate in the one-sided competition arising under the existing system, would disappear with it. It, however, rests to some extent also on the perception that the admission of such inferior races must tend to reduce the adaptation to social life of future generations. How far this is true and whether, if true, it would justify the exclusion of inferior races are questions outside the present discussion.

The fifth contention is, that priority of claim, and not the securing to each the product of his labour, is the basis of property, because in this way alone can perpetual fighting be avoided. The question arises at once, priority of claim to what? To the whole earth, to a continent, to a province, or to how much less of the earth's surface? It might be said that it can be left to each society to regulate the extent to which it will admit any one's priority of claim. That, however, is no answer to the question to

what extent ethics enforce the recognition of priority of claim.

Nor is it possible to answer this question, for ethics cannot recognise priority of claim as a basis of property. Even if, between two contemporaries, priority of claim could confer a valid title, their action or non-action cannot affect the rights of succeeding generations. A child cannot be held to have lost its natural rights because its father failed to claim his own. Otherwise men might be rightfully refused their freedom because their remote forefathers had sold themselves into slavery or because they had failed to claim their freedom.

The last contention, similarly directed to prove that land can rightfully be converted into private property, consists of the assertion that three corollaries drawn from the doctrine that natural media are common property, establish its absurdity.

The first and third corollary are practically identical, the first including the last. It is, that "as no one ought to use the property of others so as to destroy it, therefore no one ought to use any natural object as fuel or as food, or in any other way that destroys it."

As no one can use any natural media continuously without destroying them, in the only sense in which men can destroy anything, *i.e.* lessening or destroying their usefulness to mankind, the prohibition includes all natural media. *Ex hypothesi*, all men possess equal rights to the use of all natural media. Therefore, it cannot be a true corollary from this doctrine that none has any right to the use of any natural media. On the other hand, it is clear, the equal right of all is maintained, if none of them takes more from the common stock than any of the others can withdraw therefrom. Likewise, if any one of them takes more from the common stock than each of all the others can take, and fully compensates all the others for the greater privilege assumed by him, the equal right of all to natural media is fully maintained. Not non-use of natural media, but equality of use or compensation for unequal use, is the logical corollary of the doctrine of equal right to the use of natural media.

The second corollary drawn by Mr. Spence is, that "if all natural objects form part of the common heritage, the title to private property must be, in all cases, not merely imperfect, but absolutely bad."

This contention is true, in so far as all title to private property is bad, as long as the equal right of all to the use of natural media is infringed upon. But if this equal right is recognised, the title to private property in labour-products is rendered perfect. For these reasons :—

All men having equal rights to the use of all natural media, each of them has full right to the use of natural media not desired by others. If more than one desire to use any, each is entitled to an equal use of them with these others. If they allot the use of them to one amongst them, the others are entitled to compensation for the relinquishment of their equal right.

All natural media become accessible to man through land. Where land is valueless, no man or only one man desires the use of the natural media to which it gives access. Land obtains a value when more than one desires its possession. If its use is allotted to one of them, the other or others must use land giving access to less desirable natural media. The value of any piece of land, *i.e.* its rental value, therefore, measures the advantage in the use of natural media which it affords to the possessor over that which can be derived from the use of land having no value and open to all. Hence, if the rent of all valuable land is paid into a common fund from which all may withdraw equal shares, directly or indirectly, the equal right of all to the use of all natural media is maintained. Those who have withdrawn less from the common stock than others, have participated equally with these others in the resulting advantage. Equality of right to the common possession being thus maintained, each is fully entitled to the separate possession not only of the natural media thus withdrawn from the common stock, but also to any additional value, however great, which his labour creates therein.

When, however, the equal right of all men to the use of all natural media is disregarded ; when some withdraw more from the common stock than others, without making

compensation to these others, the title to private property in labour-products is imperfect, because the title to the material composing them is bad.

Finally, there must be considered the arguments advanced by the late Professor Huxley against the theory of natural rights generally and that of the equal right to land specially. Set forth at great length, they are nevertheless fully stated in the following extracts :[1]—

Endeavouring to refute equal natural rights in the social state, he takes the case of two men, sole inhabitants of an island, stalking the same goat to which each of them has a full natural right, and states :[2]—

"If each insisted upon exerting his full natural rights, it is clear that there is nothing for it but to fight for the goat. . . . On the other hand, if the two men followed the dictates of the commonest common sense not less than those of natural sympathy, they would at once agree to unite in peaceful co-operation with each other, and that would be possible only if each agreed to limit the exercise of his natural rights so far as they might involve any more damage to the other than to himself. That is to say, the two men would in reality renounce the law of nature and put themselves under a moral and civil law, replacing natural rights which have no wrongs for moral and civil rights, each of which has its correlative wrong."

It seems obvious that Professor Huxley did not fully consider the problem. He fixed his attention upon the maintenance of the natural rights of one of these two men, whereas the problem before him was, how to maintain the equal natural rights of both of them to the goat. For if they "fight for the goat" and the stronger of them takes it, the equal right of the other is clearly infringed upon. The maintenance of the equal natural right of each of them to the goat requires, therefore, just such an arrangement as Professor Huxley describes under the term "moral and civil right." The equal division of the goat between these men, for instance, far from being a "renunciation of the law of nature," would be the

[1] Professor T. H. Huxley, "Natural Rights," *Nineteenth Century*, February 1890.
[2] *Ibid.* p. 182.

method adopted to give fullest recognition to the law of nature.

In addition to this imperfect and, therefore, misleading recognition of the problem, there is confusion of thought. Moral right is contrasted with natural right. Yet if the social state is natural to man; if moral law is the law obedience to which furthers and disobedience to which hinders life in the social state; then obviously moral law is the natural law of man in the social state, and moral rights and natural rights are identical.

Equally misleading is the use of the terms "moral rights" and "civil rights" as denoting identical things. If civil rights are necessarily moral rights, no unjust custom or law has ever existed or ever can exist. If every moral right has always been recognised as a civil right there is no such thing as growth in social morality. Society has then been as moral at its beginning as it is to-day and ever will be, and our laws and customs are morally identical with those of the most degraded cannibals.

Apart from this absurdity, Huxley's moral rights are evidently nothing else but natural rights under social conditions; and further, admitting that the moral law enforces equality of rights—"no more damage to the other than to himself"—he thereby condemns as immoral inequality of rights. Yet this admission is made in the course of an argument in favour of the exclusive right of some to the earth.

Professor Huxley's second endeavour is to show the erroneous nature of the contention that, labour being the only basis of property-rights, private property in labour-products can coexist with equal rights to land. In support of this view he states:[1]—

"By parity of reasoning it would seem that I might say to a chronometer maker: 'The gold and the iron in this timepiece, and, in fact, all the substances of which it is constructed, are parts of the material universe, therefore, the property of mankind at large. It is very true that your skill and labour have made a wonderful piece of mechanism out of them, but these are only improvements.

[1] "Natural Rights," *Nineteenth Century*, February 1890, p. 191.

Now you are quite entitled to claim the improvements, but you have no right to the gold and the iron, these belong to mankind.'"

The error in this argument is so obvious that it ought not to have remained undetected by a much lesser man than Professor Huxley. It is the same confusion between common and equal rights previously exposed. Men have equal rights to land, because they are equally dependent upon the use of land for the maintenance of their lives. Their equal right does not, therefore, as does a common right, prohibit the use of the land by any one of them without the consent of all others. On the contrary, each of them is free to use the land without permission from any one, provided he infringes not the equal rights of all others. If, then, a man uses the land for the purpose of extracting gold and iron from the same, he has as much right so to use it as in any other way. The gold and the iron so extracted by his labour become his exclusive property, provided that by extracting them he has not infringed the equal right of all others to the use of land, *i.e.* that he does not use land for this purpose which gives him advantages greater than all others can obtain from the use of other land. If he uses land which gives him such advantages, his title to the gold and silver is vitiated till he has compensated all others for this infringement of their equal rights, *i.e.* till he has restored equalness. Provided he has done so, the chronometer maker's exclusive right of property in the gold and iron is not only compatible with the equal right of all men to the "material universe," but is a necessary consequence of such equal right.

It may be contended that the recognition of exclusive property in a "part of the material universe," *i.e.* gold and iron, admits the possibility of exclusive property in all parts, *i.e.* the whole of the material universe. This contention, however, overlooks the essential difference between the ownership of labour-products, composed as they must be of matter, and the ownership of the material universe, the land. The difference may best be illustrated by contrasting exclusive property in a fish taken from the ocean, and exclusive property in the ocean itself. The one does

not infringe equal rights. All others may equally take fish from the ocean. The other does infringe equal rights; no one but the owner may take fish out of the ocean. If any one does, the fish rightfully belongs to the owner, not to him. Property-rights in land, therefore, instead of being identical with property-rights in matter separated from the land, deny such property-rights to all but the owners of land.

Lastly, Professor Huxley sets himself to prove that if labour is the basis of exclusive rights of property, land must be subject to exclusive property. As follows:—[1]

"In a state of nature, I doubt if ten square miles of the surface of the chalk-downs of Sussex would yield pickings enough to keep one savage for a year. But thanks to the human labour bestowed upon it, the same area actually yields, one way or another, to the agriculturist the means of supporting many men. If labour is the foundation of the claim to several property, on what pretext can the land, in this case also, be put upon a different footing from the steel pen?"

The arguments previously used—the distinction drawn between property-rights in the source of all matter, the material universe, and property-rights in matter separated from this source—evidently apply to this contention as well. For labour spent on land cannot add to the desirable matter contained in it; it can only make such matter more accessible. Clearing, fencing, draining, the erection of farm-buildings, and similar improvements are made for the purpose of giving easier access to the elements of fertility in the soil; as mining improvements are made to give easier access to minerals below the soil. In either case, the object in view is the withdrawal of desirable matter from the land. Even manures are frequently applied for the purpose of freeing otherwise insoluble ingredients of the soil; and in other cases are added in order to restore elements previously extracted, and to be themselves again extracted almost at once.

The labourer is entitled to exclusive property in the

[1] "Natural Political Rights," *Nineteenth Century*, February 1890, p. 192; *Method and Results* (Essays, vol. i.), p. 374.

additional accessibility due to his past labour, as he is entitled to exclusive property in all the matter which, owing to this greater accessibility, he separates from the land by present labour. But he cannot be entitled, by virtue of his labour, to exclusive property in the source of the desirable matter, the land itself, for the reason that his labour did not and cannot add to it.

Moreover, it may well be questioned whether the additional productivity of the Sussex land, which Professor Huxley posits, is all due to previous labour bestowed upon the land. For if a savage were placed upon this land in its present state, he, having no knowledge of agriculture, might derive from it no more and probably less sustenance than if it were still in a state of nature. The greater part of the additional productivity of the agriculturist's labour on this land is due, not to labour previously applied to it, but to advances in the knowledge of present labourers, and to the social environment which furnishes them the means of applying this knowledge.

Nevertheless is it true that all the productivity of this land, due to present and previous labour exercised upon it, whether it is little or much, is rightfully private and exclusive property. And it follows from the hypothesis that all that productivity which is not due to labour exercised upon it, *i.e.* to improvements, cannot rightfully be private and exclusive property.

Suppose this land, in its present state, instead of being situated a few miles from London, were situated five hundred miles from any centre of population. Would its productivity, the wealth which it yields to labour, be as great as it is in its present situation? Evidently not; its productivity would be less. Its favourable situation, therefore, forms part of its productivity. Labour exercised upon this land did not create this favourable situation, cannot, therefore, give any right to private and exclusive property in the productivity hence arising.

Suppose, again, land situated as favourably, and on which equal labour has been expended, but endowed with less natural fertility. Such land also would possess less productivity. Some part of the present productivity of

Sussex land, therefore, may be due, not to previous labour, nor to situation, but to its greater natural fertility than other land which must be used. This part of its productivity, like that arising from more favourable situation, therefore, also cannot rightfully become private and exclusive property.

Whichever way, therefore, the question is looked at, labour expended in improvements on land, while giving exclusive property in such improvements, cannot give private and exclusive property-rights in the land itself.

CHAPTER III

THE METHOD OF REFORM

THE main propositions, previously established and vindicated in the last chapter, are:—

All men have equal rights to the use of land, and each of them is entitled to the exclusive possession of all the wealth which his labour produces or his services procure, provided he infringes not the equal rights of all others. Disregard of the equal right to land necessarily involves violations of the unequal right to wealth. Social injustice in the production and distribution of wealth thus arises from the disregard of the equal rights of all men to the use of the earth. Hence social justice cannot be achieved till, through the recognition of the equal rights of all to the use of land, each of them is made free to produce as much wealth as his capacity and industry enable him; and till, through the abolition of all private monopolies and of the taxation of justly acquired wealth, each is secured in the exclusive possession of all the wealth which his labour produces or his services procure through free contract with its producers.

And further: All men and women being members of a social body, the sole object for which a social body exists being to secure the greatest aggregate sum of happiness to its members; such happiness being unattainable except through the establishment and maintenance of justice—justice demanding the recognition of the equal rights of all to the use of land, and the individual right of each to the produce of his labour; it is the paramount duty of every social body to frame and enforce regula-

tions which will safeguard these rights for every one of its members.

That the land of civilised nations is now owned by some to the exclusion of others ; that consequently the equal rights of the majority of the members of every State are violated, cannot affect this duty. Were men now for the first time confronted with the question how land shall be dealt with ; were a body of men now to discover an uninhabited and fertile island ; the rights of each of them would be no greater and no less than the rights of those who live in countries where all the land is held as private property. For violation of rights does not abolish or even lessen rights. All the difference which can be claimed is, that the establishment of justice could inflict no hardship in the former cases ; while in the latter case it might inflict hardship upon some of the persons who profit and have profited by existing injustice. On the other hand, however, it must not be forgotten that the continuance of private ownership of land and consequential injustice, inflicts hardship, and inevitably much greater hardship, not only once but perpetually, upon those far more numerous persons who are injured by it. All that can be claimed on behalf of those who profit by social injustice, therefore, is, that the injustice shall be removed in a manner, which, while inflicting no avoidable hardship upon them, shall not needlessly prolong or aggravate the hardship of the victims of social injustice. Hence the substitution of the equal rights of all for the unequal rights of some to the land, having as its aim the greatest production and the just distribution of wealth, must be effected in a manner which will avoid all unnecessary hardship to both classes.

Other conditions must be observed. A sudden introduction of great and far-reaching social changes, however just, not only inflicts the maximum of temporary hardship on the whole people ; not only generates new evils more or less lasting, but places the change on insecure foundations. The hardships and evils unnecessarily provoked cause a revulsion of feeling, and may result in reaction, restoring conditions analogous to those which it was intended to remove.

Moreover, it may well be questioned whether the masses of the people are as yet fit to live under conditions of absolute social justice. The industrial warfare between employers and employed would inevitably be aggravated by any sudden and radical alteration in the relative power of the combatants. The workers largely made independent of capitalistic employment, lacking the experience and moral development necessary for the co-operative conduct of industries, would misuse their newly acquired power, as power has been misused by the capitalistic classes. When, however, by slow increments of justice, general conditions are improved gradually, there will take place such a gradual moral growth, as will ultimately enable men to live under conditions of absolute justice. For all these reasons the sudden transformation of unequal into equal rights to land must, if possible, be avoided.

The essential condition for the most productive use of land is security of possession of the land, and of all improvements effected on the land. The absence of such security, where, as in the United Kingdom, land is mainly used by tenants; or where, as in most other countries, the nominal owner is heavily indebted to a mortgagee, is a main cause of the inferior and inefficient use of land. The contemplated reform, therefore, must be effected in a manner which will give to the users permanency of possession in the land and assurance of full compensation for improvements on their relinquishing such possession.

With the same object in view, the most productive use of land, there must be avoided all interference with individual control over the use of land. No State official must be allowed to dictate to the possessor of land in which manner and for what purposes the land must be used. On the other hand, the reform must be effected in such manner that the self-interest of every holder of land compels him to place it to the most profitable use.

Leaving ethical considerations mainly to be dealt with in the succeeding chapters, the present one will be devoted to the comparison of the several, theoretically possible, methods of reform, with regard to their economic and political advantages and disadvantages.

One such theoretically possible method is the purchase of the land by the State. Its necessary consequences would be: purchase of all improvements where the selling owner did not desire to lease the land from the State, and leasing the land, either in perpetuity, with regularly recurring adjustments of rent and sale of improvements, or for short periods at a fixed rental, including interest for improvements.

As no government is possessed of the necessary wealth, the purchase would have to be made with interest-bearing bonds. The interest charge thus created would, however, enormously exceed the rent and interest which the State, for many years, could receive for the land and improvements. For these reasons—

It has already been shown[1] that, in addition to natural rent, there arises under private ownership a spurious rent, the result of the non-use or partial use of land. This spurious rent not only adds to the capital value of the unused or partially used land, but also to the value of all the land fully used, and in addition confers a value on some land which is not required for present use. Apart from this great and fictitious increase in the value of land thus arising, there is engendered an additional and speculative value of some land.

Wherever exists even a remote possibility of land increasing in value in the future, land bears a price in excess of the capitalisation of its present rental value. The anticipated future increase in rental value is discounted in advance. This additional and speculative value increases with every increase in the probability of the future advance of rental value. The action of this force, though not confined to this limit, may most clearly be discerned in the neighbourhood of growing towns and cities. Surrounding land used for grazing or agriculture, or not used, is bought and sold at prices which many times exceed its value as grazing or agricultural land. Though both sellers and purchasers know that all this land cannot be required for building purposes for perhaps a century to come, yet each of them buys and sells, on the possibility or probability of a

[1] Part II. chap. viii.

particular piece of land being so required in the near future.

These causes of artificial values, existing everywhere, are most active in quickly progressive countries. In the United States, Australia, South Africa, and other new countries, the areas of valuable land unused, or only partly used, are very large. Speculation in land is also generally active, and from both these causes the artificial value adhering to land is very great.

As soon, however, as the Government would have purchased the land all this artificial value would disappear. The land not needed by the people would pay no rent; the rent paid for other land would be far less than the expectation on which its capital value rested. The rent would, therefore, fall far below the interest charge on the purchase value of the land. To the loss so incurred must be added a loss on the purchase of improvements. Improvements may be antiquated and much the worse for wear and tear and yet fully serve the purpose of the owner in inferior uses of land. Others may be serviceable for some purposes and unserviceable for others. When the land is taken from owners who refuse to continue possession on lease all the improvements on such land will have to be purchased at full value. New lessees, however, may, and generally will, prefer new improvements, and may also want to use the land for purposes for which existing improvements are of little or no value. In either case the State would receive little or nothing for improvements purchased at high value. This loss must be added to the loss on land values.

The deficit thus arising would be enormous, might even equal one-half the interest payable to dispossessed landowners. There is only one way in which the revenue necessary to provide for it could be raised, viz. by taxation —either taxes on incomes or taxes on labour-products through customs and excise. Already, in most countries, the income-tax, yielding a comparatively small revenue, is nevertheless reducing the wealth-producing power of the people. While in some countries a small additional revenue may be derived from this source, its revenue-yielding

limit has been reached in others. The principal part of the additional burden would everywhere fall on labour-products through customs and excise taxation. Even if taxes on imported goods were counterbalanced by equivalent taxes on locally-produced goods, so as to prevent the creation of more private monopolies, the revenue which the State would derive from this source would fall far short of the sums which the masses of the people would have to pay. For manufacturers, importers, and dealers are compelled to add the tax to the cost price of their goods, and, making the average profit on their cost, must make such profits on the tax as well.

Even if it were possible to raise the requisite and huge amounts from this source, which may well be doubted, there would arise an aggravation of existing injustice—the State would appropriate more of the products of individual exertion. Moreover, such taxation falls mainly on the poorer classes of the people; these, instead of being relieved, would therefore be still further injured by the State purchase of the land.

The classes so injured comprise not only the bulk of the landless men, but the great majority of landowners themselves, the owners of small areas of agricultural land and of cheap building sites in villages, towns, and cities. The additional taxation would generally take from them more than the interest on the bonds received by them could amount to. Their land, therefore, would not be purchased, it would be confiscated, and in addition they would have to provide part of the interest payable to the owners of larger areas and of more valuable land.

The entire object of the reform, therefore, would be missed by this method even if it were practicable. Production would be hindered by additional taxation as much as it would be fostered by the establishment of equal rights to land, and the new taxation added to existing ones would immensely aggravate the existing violation of individual rights. Instead of unnecessary hardship being avoided, the utmost hardship would be inflicted upon the victims of existing injustice. Perpetuated under another name—

interest instead of rent—injustice would be aggravated instead of being removed.

New evils also would arise. After the Government had acquired the land it would have to fix the rental of all land, and would have to select the persons to whom leases are to be granted for land relinquished by previous owners, as well as to determine the area leased to any one, and in many cases its use. If perpetual leasing at variable rents were the system adopted, this interference would take place once ; if terminable leases at fixed rents were adopted, it would have to take place at perpetually recurring intervals. Two systems are possible. Government officials may determine the area of each holding, and award each to the person offering the highest rent. In this case rack-renting would arise, unjustly diminishing the reward of labour and augmenting rent, though not perhaps to the existing level.

Or the officials, having determined the area of each holding, themselves fix the rent and award possession to applicants selected by themselves or by ballot. The ballot system, however, has been found liable to abuses, to which the term "dummying" has been applied in Australia. These abuses may, perhaps, be worse than those which result from official selection. In either case the temptation to favour particular individuals by awarding them land at exceptionally low rentals, or giving them a preferential opportunity so to acquire it, would be irresistible. Jobbery and corruption in the one case, rack-renting in the other, therefore, are unavoidable and additional results of land nationalisation by purchase.

Reflection will show that purchase of the rental value of land, exempting improvements, must lead to similar results as purchase of the land itself. Both these methods, therefore, fail to comply with the conditions laid down.

The confiscation of the rent of land is another method which might be considered. Apart from the question whether this method is practicable—whether it can be employed without provoking civil war—slight consideration shows that, in addition to the unavoidable suddenness

of the change, it would inflict the utmost hardship on both landowners and landless men.

Present owners of land, suddenly deprived of the rent which to many is the main source and to some the only source of income—unaccustomed as many of them are to any productive labour—would be exposed to hardship approaching injustice. Nor could the landless classes escape. A large proportion of the latter is employed in the production of goods and services which are demanded by the wealthy classes alone. The sudden appropriation of rent and monopoly charges by the State would largely reduce the incomes of all wealthy persons, and would absorb the incomes of many. The sudden cessation of their demand for luxuries and services would destroy the opportunities of employment in this direction without immediately providing employment in other directions. To both these classes, therefore, the confiscation of rent would be provocative for a considerable time of widespread hardship and distress. For this reason, as well as on account of its inevitable suddenness and of the necessity of governmental interference in the use and disposal of land, the confiscation of rent also fails to offer any adequate solution of the question under consideration.

There remains but Henry George's Single Tax method, consisting of the gradual appropriation of the rent of land and of natural monopolies and the similarly gradual removal of all other taxation and charges for the use of equal natural and social opportunities. This method, proceeding slowly and gradually, would not disorganise industry nor inflict appreciable hardship on any one. The great majority of landowners would benefit more by the removal of taxes and charges than they would forgo by the loss of the rent of their land. The owners of large areas or of exceptionally valuable land would lose more than they would gain, but at first the loss would be unimportant. Before it could reach important dimensions many of the existing owners would be dead, and the remaining ones would either have adapted themselves to the new condition by qualifying for productive occupations, or would find consolation in the wealth remaining to them.

The hardship, if any, to the owners of land would thus be minimised, while the masses of the people would derive a great advantage from the first introduction of the system, an advantage which, growing with its extension, would culminate with its completion. For the imposition of even a small tax on land values, especially if its augmentation be apprehended, would lower rents, induce a more efficient use of land, increase the demand for labour, and therefore tend to increase wages. For these reasons: The owners having to pay the tax on the rental value of land, and not according to the income which the use of the land yields —having to pay the same amount whether the land is used and yields an income, or whether it is unused and yields no income—would either themselves use the land in the most advantageous way, or let or sell it to others who would so use it. There would thus arise a greater competition between landowners for tenants and buyers, and consequently a fall in the capital and rental value of land; there would arise a greater demand for labour to work upon land—whether urban, agricultural, or mining land—and consequently an increase in the reward of labour. Other forms of taxation being simultaneously reduced, the increased earnings of labour would be less infringed upon by the State, and monopolies based upon such taxation would gradually disappear. Higher money wages and lower prices of labour-products would thus combine to enhance the well-being of the masses of the people, and the consequent increase in their consumptive power would tend still further to increase production and the demand for labour. Every addition to the tax on land values, and every further reduction of other taxes, would strengthen these tendencies, until, with the completion of the system, there would have arisen an enormous consumption and production of wealth, an illimitable demand for labour, and a distribution of wealth which, denying reward without service rendered, would secure to every one a reward equal to the value of the service rendered by him.

The gradual appropriation of the rental value of land would thus secure equal rights to land and unequal but equitable rights to labour-products, without appreciable

hardship to any one, and so gradually as not to provoke reaction or to disturb industrial organisation. Yet the land would be as effectually nationalised as if it had been appropriated by the State. For, as previously shown,[1] the value of land is nothing else than the price some people are willing to pay for the power to levy tribute upon present and future users of land. As land-values fall and rise with the fall and rise of rent, land-values would disappear if rent disappeared. Likewise, if the whole rent of land goes to the State, private persons will not give wealth in exchange for land. Land would lose all market value, would no longer be bought and sold, and as society would receive all that benefit from land which is not due to individual labour, the collective ownership of rent nationalises land as effectively as the collective ownership of the land itself.

There would, however, be a total absence of the interference of State officials, unavoidable when the land itself is made collective property. Present owners can be left in possession, and would gradually transfer to users any land which they themselves could not use to fullest advantage, while unused land could be appropriated by any one desirous of using it without let or hindrance. The rental value of land can be assessed, and the tax can be collected periodically by local bodies, from whose assessment appeal can be made to a revision court, either by the aggrieved party against over-assessment of his land or by any one for under-assessment of others' land. The rent which the State receives would thus fall and rise, not through the caprice of officials, but through natural causes. Likewise, the area allotted to each and the use made by him of it would, when the tax is paid on rental value without rebate for inferior use, be determined by the capacity of each and by social necessities finding expression in price, in a manner most advantageous to society and without governmental interference.

At the same time there would prevail the most absolute security of possession both of the land and of improvements made on the land. As long as any man

[1] Part II. chap. iv.

paid the rent periodically assessed no one could dispossess him or his heir or assignees unless the land were required for public purposes. In such case, or whenever any holder of land wanted to dispose of it to any one else, the value of improvements alone would be paid for. This security would lead to the fullest use of land, to the most extensive application of labour and capital; while land, having no rental value, land at the margin, could be used without payment of rent or tax of any kind till such time as increase of population and extension of public works had given it a value.

The Single Tax method of securing equal rights to land, therefore, avoids the objections which adhere to all other methods. There would be no avoidable hardship, no sudden and profound change in social relations, no interference by State officials with the allotment and use of land, and no power to fix rents arbitrarily or enforce rack-rents. The exaction of the rent charge would compel holders to make the most profitable use of all land, and at the same time there would arise the most absolute security of possession by the users of land.

The monopoly-use of land for social purposes, as in the case of railways, tramways, canals, and in the supply of gas, electric light, and power, and of other commodities the supply of which depends upon special privileges in the use of land, lends itself to the same treatment. The value of such properties is seen easily in that of their share-capital and debentures. Deduction from this total value of the value of labour-products owned by the company reveals the value of its monopoly-rights. This value, therefore, could be taxed in the same manner as the value of the ownership of other land, and would gradually disappear under taxation.

Nor would such taxation lead generally to an increase of the price charged by these monopolies for the services which they render. For this price is generally not determined by competition, but by the consideration of greatest total profit. Where this is the case, an increase of price, far from recouping the monopoly owner for taxation, would, by reducing consumption, augment the reduction

of the total profits. Taxation, therefore, would secure to the whole people the value of the monopoly without necessitating public management of the industry.

There are, however, other considerations which may be urged for a different ultimate treatment of these monopolies. Railways, tramways, and canals are as much highways as ordinary roads and streets. The considerations which have led to the public ownership of roads and streets apply with even greater force to these modern routes of communication, and the reasons which have caused the almost universal abolition of tolls on roads and streets equally apply to them. Cheapness of transport stimulates production and aids in the development of national resources. Private control of public highways leads to inequality of treatment and corrupt practices.

It is, therefore, in the highest degree desirable that these modern highways also shall be owned by society, and, like all others, shall be open to public use without charge. But there is as little necessity for the State conduct of the transportation business over railroads, tramroads, and canals, as there is for the State conduct of this business over ordinary streets and roads. For the ownership of locomotives and other motors, of cars and boats, is not a monopoly. The monopoly resides in the ownership of the road. The State, therefore, may acquire the road, and regulating the traffic so as to ensure safety and equality of treatment to the users of the road, may throw open the business of transportation to free competition. Just as no charge is made to recoup the State for the expense of making and maintaining ordinary roads, no charge need be made for the use of these roads. The State would be repaid, and repaid abundantly, by the consequent increase in production and the value of land. And just as competition between carriers secures to the public the advantages which have arisen from the abolition of road-tolls, so would competition between carriers over railways, tramways, and canals secure to all the advantages arising from their free use. For such carriers owning locomotives, cars, motors, or boats would compete with each other over every road and canal, and such com-

petition would result in the lowest rates for the carriage of goods and passengers, in the readiest adoption of new inventions and improvements, and in immense advantages to all industries.

The supply of gas, water, electric light and power, and of pneumatic and hydraulic power, however, is not open to the same treatment. Here the choice lies between absorption of the monopoly value by taxation or collective conduct of the industry. The objections to the municipal ownership and conduct of such industries, while not without weight, are nevertheless much less serious than those urged against the socialisation of unprivileged industries. For not only is the resulting bureaucracy far less numerous and powerful, not only would there remain freedom of employment, but the loss of efficiency also would be less serious. For these privileged industries, economically and ethically distinguished from unprivileged industries, are also industrially distinguished. Dealing with the supply of goods and services not subject to variations in quality, design, colour, and shape, the demand for which can be estimated with facility, these industries can be managed by permanent officials with less loss of efficiency than other industries. Moreover, as private monopolies, they are now generally managed with less efficiency than competitive industries, and the further loss of efficiency arising from municipal management would, therefore, be minimised. Nevertheless, such loss might arise, and to it must be added a tendency towards corrupting municipal government as well as the possible domination of the municipality by its servants. On the whole, therefore, it seems preferable to treat these monopolies also by the Single Tax method, *i.e.* appropriating the monopoly-value adhering to them by a gradually extending system of taxing the monopoly-value and leaving the conduct of the industry in the hands of private proprietors and their employees.

CHAPTER IV

THE ETHICS OF COMPENSATION

To many minds convinced of the injustice of private ownership of land and monopolies, their abolition without compensation seems nevertheless unjust and arbitrary. As a rule, however, the demand for compensation is urged by the defenders of private ownership of land, by those who deny that it involves any injustice. Their demand for compensation is, however, illogical. For if the private ownership of land and legal monopolies rests on the same ethical basis as the private ownership of labour-products, the compulsory appropriation of land or of the rent of land, and the abolition of private monopolies, would constitute a glaring act of injustice, even if the fullest compensation were paid. If private property in these things involves no injustice, if it infringes no rights, its compulsory abolition would be an act of violence as purposeless as it is arbitrary, compensation or no compensation. The question of compensation, therefore, cannot arise unless it is admitted that justice demands the establishment of equal rights to land and to inevitable monopolies, and the abolition of all unnecessary monopolies.

The upholders of existing conditions who demand compensation are illogical in other respects. They deny the existence of equal rights to land on two grounds.

One exemplified by Lord Bramwell is as follows :[1]—

"Be it that there are natural rights, that is, in a state of nature, where there is nothing artificial. But men have

[1] *Land and Capital*, p. 2. (The italics are Lord Bramwell's.)

formed themselves into a social state; all is artificial and nothing merely natural. In such a state no rights ought to exist but what are for the general good—all that are should. And what we have to consider is—*whether private or separate property in land is good for the community*."

This reasoning obviously excludes all ethical considerations. It is not a question whether private property in land is unjust, nor whether its abolition with or without compensation is unjust, but whether either is good for the community. What is good for the community must be decided by some one or many. Who is he or who are they? It cannot be denied that when ethical guidance is abandoned, this question cannot be decided authoritatively except by the governing body, be it an autocrat, an oligarchy, or a majority of the whole people. Whenever, therefore, this governing authority decides that the abolition of private property in land, without compensation, is "good for the community," the governing body "should," according to Lord Bramwell, so abolish it. Seeing that natural rights do not exist within a society, that "no rights ought to exist but what are for the common good," the owners of land can have no right to compensation when compensation is found not to be for the common good.

The other reasoning is exemplified in the following passage: [1]—

"Nothing also in morals is more plain than that to abolish without compensation that private ownership which has existed for countless generations, and on the faith of which tens of thousands of men in all ages and lands, and with the sanctions and under the guarantees of the laws of all nations, have invested the fruits of their industry and their thrift, would be an act of simple, gross, naked, gigantic robbery."

This reasoning bases the claim for compensation upon the hoary antiquity, the governmental sanction, and the purchase of land with the fruits of individual industry.

Without inquiring here whether private and full owner-

[1] Lecky, *Democracy and Liberty*, vol. i. p. 175.

ship of land "has existed for countless generations in all ages and lands,"[1] it will be admitted that if the facts on which Mr. Lecky relies justify his conclusion with regard to property in land, they compel the same conclusion with regard to property in all other things. Any property rights which can or could show the combination of great antiquity, general sanction, and frequent sale and purchase, can or could not be abolished without compensation. The abolition of protective duties and the abolition of rotten boroughs in Great Britain, and, above all, the abolition of slavery without compensation must then be held to have been "acts of simple, gross, naked, and gigantic robbery."

For while property in all these things had been recognised for ages, had received general sanction, and had been subject to sale and purchase, this is especially true of slavery. For slavery, far more truly than private ownership of land, may be described as having "existed for countless generations in all ages and lands . . . under the sanction and guarantees of the laws of all nations," and "tens of thousands of men have invested the fruits of their industry and thrift" in slaves. Yet not only was protection and the system of rotten boroughs in England abolished without compensation, but slavery, with one exception, was likewise so abolished.

The one exception is the compensation given by the British Parliament to the West Indian slave-owners. Even the landlord Parliament of that time, however, did not stretch its sympathy with the landlords of the West Indian islands so far as to make the abolition of slavery dependent upon the slaves themselves compensating their owners. It compelled the white slaves of the United Kingdom to

[1] It is denied by all historians of national economy, amongst them by one of the bitterest opponents of the Single Tax theory, in the following terms :—

"That individual ownership of land is of comparatively recent institution . . .; that even when the private ownership of land was instituted, rights of property were coupled with political and military duties and fiscal obligations, which constituted no inconsiderable compensation to the community for the loss of its interest in the land; and, finally, that these political and military duties and fiscal obligations have been thrown off by the land-owning class, through the exertion of their superior power and influence in the formation of public policies and in the enactment of laws, without any adequate commutation thereof; these things seem to me too well established to admit of question." —*Land and its Rent*, by F. A. Walker, pp. 128, 129.

furnish the larger part of the compensation which gave freedom to the black slaves of the West Indies. But can it be argued that if the people of Great Britain had refused to make this sacrifice, British soldiers and police would have been morally bound to compel the West Indian slaves to work for their masters to all eternity? Suppose the West Indies to have been an independent State. Would the slaves have lost all right to freedom unless they themselves, or some foreign people, paid their full value to the owners?

Or suppose a slave escapes from a country in which slavery still has legal existence, and finds refuge on board a British vessel. Is the slave a thief who has stolen his value from his owner, and is the British captain an accessory to the theft, unless they pay compensation? If it be admitted that the escape of one slave does not constitute a theft, does a case of theft or robbery arise when more than one, or all slaves, escape from bondage? Must they be considered to be morally still the property of their previous owners till compensation has been paid? If not, if they are justified in escaping from their bondage without compensation in an illegal way, are they not doubly justified in doing it in a legal way? May they not acquire the governing power of the country, and pass a law abolishing their own slavery, without thereby incurring the obligation to pay compensation?

These considerations clearly establish the conclusion that no moral claim to compensation can arise from the abolition of slavery. Yet property in slaves was sanctioned by all the conditions which Mr. Lecky adduces as sanctioning private property in land. If these conditions do not impose the duty of compensation in the one case, they obviously cannot do so in the other case.

It is, however, alleged that the ethical distinction between property in slaves and property in land is so great that considerations applying to the one property cannot be applied to the other property. In previous chapters[1] it has been shown that this contention is erroneous, that land-owning is essentially of the same

[1] Part III. chaps. vi. and vii.

ethical character as slave-owning. But this question does not arise here. Mr. Lecky does not draw any ethical distinction between property and property. He wisely bases the sanctity of property in land and the demand for compensation, not on ethical considerations, but on the conjunction of three alleged facts—long persistence, governmental sanction, and investment. If these by themselves are insufficient to establish a claim for compensation in all cases, the abolition of property in slaves included, they are equally insufficient to establish this claim on the abolition of any particular form of property, property in land included.

So far the claims for compensation on the part of those have been considered who deny that it is the duty of society to enforce the equal right of all its members to land. There remains to be considered the claim of those who are convinced that all men have equal rights to land, and that the denial of this right deprives the majority, or even large numbers of men, of part of the product of their labour. Their demand for compensation arises mainly from two conditions. One is custom; the existence of unjust laws, obscuring primary morality, leads to the formation of secondary views of morality. To break the law, or to alter an unjust law, when such alteration deprives any one of unjust advantages, is regarded as more immoral than the maintenance of such laws. . . . The moral claim of the victims of unjust laws to a restoration of their rights is obscured by the false view that there has arisen a moral claim on the part of the beneficiaries to enjoy for all time the advantages which the unjust law has hitherto secured to them.

The second cause for this demand is a special one. Land Nationalisation, the acquisition of the land itself by the State, was, till Henry George published *Progress and Poverty*, generally regarded as the only measure by which the equal rights of all to land could be secured. This plan can be carried out either by the acquisition of one piece of land after another, or by the State acquiring all the land by a sudden act. If the former method be adopted, some landowners would continue in the full

enjoyment of rent, while others would be deprived of it. The injustice of this procedure to the latter, without compensation, cannot be denied. Nor can it be denied that the sudden confiscation of all land by the State, while not unjust, would inflict hardship so great as to approach injustice. Under such circumstances the demand for compensation, even of those who recognise existing injustice, was natural and inevitable.

Under Henry George's Single Tax system, however, both these causes of partial injustice are avoided: all landowners are treated equally, and the transition from unequal to equal rights in land is so gradual, and accompanied by such other benefits, that no hardship can arise. The reasons which justify the demand for compensation, when the clumsy method of Land Nationalisation is considered, do not, therefore, apply to the Single Tax system of gradual reform.

If it is admitted that private ownership of land is a continued injustice; that it leads to the perpetual repetition of other acts of injustice; that the proposed method of reform treats all landowners equally and inflicts no unnecessary hardship, on what moral grounds can compensation be claimed? Apart from its other consequences, the essence of private ownership of land is that it gives to landowners the legal right to take wealth from all others without rendering any service. To claim that this legalised system of theft ought not to be abolished without compensation to the beneficiaries, is equivalent to the declaration that it is just and ought not to be abolished at all. For if the rent of land does belong to the community, if its appropriation by landowners is an act of usurpation, how can it be held that the community must purchase it? The claim for compensation, therefore, is a direct denial of the right of all to the rent of land and to equal rights in land.

Moreover, if compensation is paid, the injustice continues which enables a few to appropriate wealth belonging to the many. For the interest on bonds given in compensation, would enable the holders to extract even more wealth from the community than they now do as rent,

and equally without rendering any service in return. This fact, as well as the further result, that only the wealthier landowners can benefit by compensation, while the great majority of landowners would be injured by it, has already been dealt with in the preceding chapter. Compensation, therefore, is an absolute denial of justice—would perpetuate and aggravate existing injustice under another name.

Plausible reasons are advanced for compensation. One is, that a majority of the people having hitherto sanctioned private ownership of land, it must be held that all have sanctioned it. This contention, however, is self-destructive, even apart from the consideration that the right of unborn generations, as well as of those now living, is involved. For if the sanction of a majority may be construed to be a sanction by all in one case, it must be so construed in all cases. Therefore, if a majority of the people sanctions a law appropriating the value of all land without compensation, it must be construed to be sanctioned by all, landowners included. Hence the claim for compensation on account of constructive general sanction, is met by the equally valid claim for no compensation based on constructive general sanction.

Another claim is that, as much land has been purchased with labour-products, the abolition of private ownership without compensation would be equivalent to the confiscation of these labour-products. This claim overlooks the obvious fact that purchase alone can give no moral right to the thing purchased. In order to establish such right in the purchaser, the seller must have a moral right to sell, must be the rightful owner. Purchase of a slave can give no moral right of ownership, because the seller had no moral right of ownership in the slave. Can it be alleged that any of the past sellers of land were the rightful owners of the land? If they were not—a conception necessarily involved in that of the injustice of private ownership—the present holders also cannot be rightful owners. Nor does the sanction by the State of the sale and purchase of land, nay, not even sale by the State, alter this position. Neither the State nor any individual

was morally the owner of the land; the title of every owner of land is morally vitiated by the fact that neither State nor individual holds or can hold a saleable interest in land. The land belongs to no one; the right to use it belongs equally to all men, not merely to those now living, but to all the generations of men who ever shall live on it. The notion that a body of men, mere passing forms of matter, inhabiting this earth but for a brief period of time, may for ever dispose of the earth, is surely one of the strangest examples of that secondary morality previously alluded to.

Moreover, it must not be forgotten that what present owners acquired when they purchased the land was not so much the land itself as the legal right to appropriate rent, *i.e.* to levy tribute on the present generation of their fellow-men, and to transmit to others the power to levy tribute on future generations. No government, even with the consent of all the present members of the State, can possess the moral right to sell this power; no purchaser can morally acquire it, and no compensation can be claimed on the score of morality from those who refuse to submit any longer to this immoral exaction. If they refuse to pay it they confiscate no labour-products—they simply refuse to allow any further confiscation of their own labour-products.

The owners of land lose nothing positive when the rent of land is appropriated by the State. The wealth they gave for that rent is gone; they exchanged it for the power to levy tribute. No wealth taken by them in rent or otherwise is demanded of them; they simply lose the power of levying further tribute. Granted that when they bought the land they expected that soldiers and police would for ever enforce this wrong. They have miscalculated, and cannot ask others to bear the resulting loss. If they could claim compensation on the ground of their disappointed expectation, all other persons who incur losses because the State acts contrary to their expectation would be equally entitled to compensation. On the passing of a Usury Bill making illegal a rate of interest previously not illegal, all those who had purchased the goodwill of a money-lending business, or who had spent years in learning its

manifold intricacies and chicanery, would be entitled to compensation for the disappointed expectations that their practices would not be interfered with by law. If a new Company Act be passed endangering the safety of promoters who indulge in practices not previously forbidden by law—promoters who have invested the result of their industry and thrift in showy office furniture and in acquiring a widespread connection among touts and financial journalists—they would be morally entitled to compensation for the disappointment of their expectation of the continuance of a defective law.

Still stronger would be the position of other claimants. If Parliament passes an Electric Lighting Act, it necessarily injures some gas company or dealers in other lighting substances and appliances who, when they entered upon their business, did not and could not foresee the use of electric light. Similarly, when Parliament passes a Railway Act, it necessarily disappoints the expectation of numerous carters, hotel-keepers, tradesmen, and others, and frequently reduces the value of property. In these and all like cases compensation would be due.

Other claims are stronger still. Why should a protected manufacturer be robbed of the power which Legislatures have granted him of charging higher prices to his fellow-citizens than he can charge to others? Is not compensation due to him also if the State deprives him of this valuable property or reduces its value? Or if, as has been done in Ireland, laws are passed under which tenants are given security of possession in the improvements which they place on the land, which reduce rack-rents and abolish indebtedness incurred by tenants to landlords for non-payment of past rack-rents; or if by law railway rates are made less extortionate, are not the landlords and railway companies entitled to compensation for consequent loss of revenue and reduction in the value of their property?

Or consider this case: Contributions from the general revenue to local rates transfer to the whole community expenditure for purposes which add to and maintain the value of the land in localities so favoured. The rental value, as well as the capital value of land, and of nothing

else, is increased by imposing upon the general taxpayer expenditure which otherwise must be borne by the owners of land, and from which they alone derive pecuniary benefits. Suppose the Legislature, recognising the immorality of this action, were to refuse to enforce in the future such confiscation of the rightful property of all for the exclusive benefit of some landowners. Would the Legislature act immorally if it discontinued paying aid to local rates out of the general revenue without compensating landlords for the resulting loss to them? Could the fact that landlords generally expected the continuation of the present system, and that some purchased land at the higher value resulting from it in the expectation of its continuance, create the moral obligation to pay compensation? If these questions are answered in the negative, as they will be answered by most, and in part have been answered by the British and other Legislatures, it is admitted that the disappointment of expectations cannot entitle to compensation. If they are answered in the affirmative, all and every reform of injustice is declared to be immoral. For whenever a thoughtless or corrupt Legislature had granted a monopoly or conferred an unjust advantage upon some at the expense of others, its removal would be possible only on condition that the beneficiaries should retain their full power of exaction in another form through compensation. Not only would all reform be made impossible by the acceptance of the doctrine that the beneficiaries of unjust legal privileges cannot be deprived of such privileges without compensation, but the tendency to corruption, which inevitably arises when Legislatures grant monopolies, would be increased manifold, and all monopolies would largely rise in value.

Another argument advanced is that the State appropriation of the rent of land, however gradually it might be effected, would destroy the sanctity of property generally, and would, therefore, inevitably lead to Socialism. This argument obviously disregards any distinction between that which morally is private property and that which is not, as well as the results which have arisen from the disregard of this distinction. For it is precisely the confusion of unrightful property with rightful property which

has given rise to and maintains Socialism. Those who, failing to observe this distinction, nevertheless see that property rights are disregarded, that the labourer is daily despoiled of his property, naturally revolt against the, in these circumstances, hypocritical claim of the sanctity of property. They condemn all property rights because they fail to see that it is the maintenance of property rights in monopolies which destroys the sanctity of property in labour-products. Compensation perpetuating the violation of just property rights would also perpetuate the revolt against all property rights. The reform here pleaded for cannot be fully or even largely realised till a majority of the people have become seized of this distinction. When they have become aware of it, the sanctity of rightful property—of property in labour-products—will have gained the secure and lasting foundation which it now lacks. The appropriation of the rent of land and other monopolies without compensation, therefore, alone can secure full recognition for the sanctity of property—compensation would tend to still further weaken that recognition.

The arguments on which the demand for compensation is based are untenable. But it is not a question of argument; it is one of sentiment. Men hesitate before adopting a truth fully; they desire compromise with error. Could not existing injustice be removed without depriving its beneficiaries of the advantage which they derive from it? This, unconsciously perhaps, is the desire of those who, recognising existing injustice and desiring its abolition, nevertheless claim that compensation must be paid to those who benefit from it. This desire cannot be fulfilled. Justice in the distribution of wealth cannot be achieved without reducing the amount of wealth which goes to those who receive more than their just share. Reward cannot be proportioned to service as long as some receive rewards for which no service has been rendered. As fire and water cannot mingle, so it is impossible to combine the removal of injustice with compensation to those who benefit by injustice. Those who advocate the one thereby oppose the other.

CHAPTER V

THE SUFFICIENCY OF THE REFORM

THOUGH man can never foresee all the consequences of even minor interferences with social relations, though for this reason alone considerations of expediency offer no reliable guidance for social conduct, yet it is not impossible to foresee the wider results of any measure based on considerations of justice. For, apart from the certainty that measures founded on justice and recognised as such by the community must work beneficially, it is possible to trace social symptoms to their causes, to establish a causal relation between unjust laws and resulting evils. Wherever this has been done successfully, it may be positively asserted that the removal of the cause must, sooner or later, lead to the disappearance of the resulting evils. It, therefore, is possible to present in broad outlines a picture of the changes in social relations which the gradual adoption of the Single Tax system must produce.

Speculation in land, increasing its price, and, by holding land out of use or full use, increasing the rent of all land, becomes purposeless and injurious to the speculators when the annual value of land must be paid in taxation whether the land yields an income or not.[1] Hence would arise

[1] That even a small tax on land-values tends to restrict speculation in land and the holding of land for inferior purposes, is admitted in the following passage taken from *The Report of the Royal Commission on the Housing of the Working Classes*, 1885 :—

"At present land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building. The owners of this land are rated, not in relation to the real value, but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities so as to raise the price beyond the actual monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing

a fall in rent, increasing facilities for production and increase in the demand for labour. To the direct benefit of lower rents would thus be added the indirect benefits of a greater demand for labour and higher wages.

This reduction in rent will be augmented by the removal of all rates and taxes on improvements. Buildings will not be erected unless there is an expectation that they will return interest on the outlay in addition to all recurring expenses. Hence any taxation of buildings restricts the building of houses till the resulting scarcity forces up house-rent to a level which will yield interest and tax. When such taxation is removed, buildings will be erected as soon as it is expected that rent will cover interest alone. Hence a greater abundance of houses and a corresponding fall in house-rent.

The purchasing power of wages, increased by this fall in rent, will be still further augmented by a fall in prices, resulting from the abolition of customs and excise duties, stamp duties, and other imposts, and from the disappearance of the monopolies to which such duties give rise.

More important than these changes are those which must arise in the production of wealth. The absolute necessity, arising from the appropriation of rent by the community, of putting land to the highest use for which it is fitted, enforces an enormous and constant demand for labour. At the same time labourers can obtain land without being compelled to part with any savings in its purchase. Hence, in addition to an enormous demand for labour, will arise a real independence of labour. So many labourers will be able to employ themselves, and in the absence of monopoly the anxiety of capitalists to employ

the value of their property. If this land were rated at, say 4 per cent on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a twofold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupier would be diminished by the increase in the ratable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground-rent or price paid for land which is now levied on urban enterprise by the adjacent property owners—a tax, be it remembered, which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves. Your Majesty's Commissioners would recommend that these matters should be included in legislation when the law of rating comes to be dealt with by Parliament."

labour will be so great, that wages must rise till they equal the value of the product of labour.[1]

This point reached, there can never be witnessed such a spectacle as, unfortunately, is only too familiar now—men, willing and able to work, unable to find an opportunity to earn their bread. For when there are no monopolies in which wealth can be invested, no wealth can be saved except in forms which directly aid production and which are consumed in production. All saving then leads to increased production, increased production to a greater demand for and reward of labour, and as the workers receive the full product of their labour, consumption can and will keep pace with production.[2] There will then not necessarily be more wealth than now, at any given time, but there will be an infinitely greater production and consumption of wealth. General overproduction, involuntary idleness, and commercial crises will have disappeared from social life.

Large fortunes also will disappear as undeserved poverty disappears. Whoever examines such fortunes—whether they are those of territorial magnates, as the Dukes of Westminster and Bedford, the Earl of Durham, the Marquis of Bute, or the Astor family; or whether they are those of commercial and industrial magnates, as the Rothschilds, Rockefellers, Goulds, Vanderbilts, and others—can see at once that they mainly consist, not of real wealth, but of the value of monopoly rights. The disappearance of private monopoly rights would, therefore, cause the disappearance of the bulk of these large fortunes. Some men might still earn large and even enormous incomes by rendering corresponding services, but such incomes would no longer coalesce into large and permanent fortunes. For the permanency of all large fortunes depends upon the possession of monopoly rights. If they are invested, as under the Single Tax system they would have to be invested, in competitive industries, they are ephemeral. The power of any man to superintend the employment of capital in competitive industries is limited. If the capital so invested exceeds a certain limit, the

[1] See Part II. chap. x. [2] *Ibid.*

supervision must be inefficient, losses must arise, and the labour and anxiety are excessive. Hence, no one will then desire to own such large fortunes; and even if any one should desire to do so, he would break down under the strain of preserving it, while constant losses would diminish its bulk. The ambition of men earning large incomes would, therefore, be directed into other channels than the accumulation of excessive fortunes. It would probably take the direction of donations for public purposes during the lifetime of the donors, to an extent which cannot now be realised.

The gradual increase in the reward of all labour and diminution of large fortunes would tend to remove class distinctions. When no one can live sumptuously without labour; when no one can ape the manners and customs of those who live sumptuously without rendering service, labour, which is still regarded as servile in spite of the abolition of chattel slavery, will be no longer so regarded. Society being thus levelled up and levelled down, the vices which arise from excessive riches and extreme poverty will alike disappear. Free education throughout all grades of knowledge will still further tend to the removal of class distinctions and to a greater coherence of society. The working classes, able to save capital out of their wages, and raised to a high level of knowledge, reasoning power, and morality, will no longer be compelled to work for wages. Forming themselves into joint-stock companies, they themselves, in conjunction with other workers who possess organising and managing ability, will be the owners of the factories, farms, and mines in which they work. Wage-industry will thus be superseded, gradually and largely, by co-operative industry. Capitalists, as a separate class, may not disappear entirely, but will be largely reduced in number. Such organisers only as, on account of their exceptional ability, can pay higher wages than can be earned in competing co-operative establishments, can attach a sufficient number of good workers to their service for any length of time. Nor will the wage-worker entirely disappear. Young men who have not yet saved enough to acquire a share in a co-operative concern, the less able

and steady workers, as well as some who have lost their savings, will always form a residue of wage-workers. But their number also will be enormously reduced. Capitalist and labourer will generally be united in the same person, removing the last tincture of the stigma attaching to hand-labour, and producing a democratic society of unprecedented homogeneity and cohesion.[1]

Long before this stage has been reached, all such restrictive legislation as that against excessive hours of labour and against unhealthy and overcrowded work-rooms, as well as laws directed to ensure the safety of workers and to fix a minimum of wages, will have become objectless. For the workers, being mostly free to work for a capitalist, or to employ themselves, stronger in competition than capitalists when capital cannot be invested in monopolies, will not enter employments which do not offer favourable conditions in all these respects. Capitalists will either have to comply with the standards fixed by the workers, or pay higher wages to compensate for conditions below this standard, or will be unable to

[1] The following figures taken from the Statistical Registers (1897) of the Colonies of Victoria and New South Wales show the small amount of capital required by labourers to enable them to take their place as full partners in co-operative factories :—

Colony.	No. of workers in factories.	Value of capital in factories, *i.e.* machinery, plant, buildings, and improvements.	Value of capital per worker employed.
Victoria . .	52,701	£8,993,544	£170 13 1
New South Wales	51,439	£9,974,228	£190 8 1

American statistics, though less definite, nevertheless confirm this result. *The Abstract of the Eleventh Census*, 1890, gives the following figures: Capital of manufactures and industrial works $6,139,397,785, average number of employees 4,476,884. The amount of capital for each employee would thus appear to be $1371 or £274. As, however, the "capital" recorded includes land-values and may also include other monopoly-values, the amount of real capital will scarcely be larger per worker than it is in the Australian colonies cited above.

Sir Benjamin C. Browne, President of the North-East Coast Association of Engineers and Shipbuilders, Newcastle-on-Tyne, has favoured me with the following information :—

"£150 is just about the amount of capital required per man in engineering, shipbuilding, etc. in England. . . . For example, in my own works the capital account is, including debentures, just below £600,000, and when fairly busy, but not extremely so, we employ just about 4000 men. . . . I think if you took £125 as a minimum and £175 as a maximum you would be very safe, except for purely repair business or where some very exceptional circumstances arose."

obtain workers. At the same time, there would disappear child-labour and the labour of married women in factories, while such employment for unmarried women would either be more and more shunned, or would be carried on under greatly improved conditions. Fathers and husbands in receipt of ample wages would as little think of sending their wives and children into factories as do the members of the middle class now; and parents would not allow their grown-up daughters to work there, except for short hours and in the absence of adequate household labour.

While the gradual adoption of the Single Tax system would thus profoundly change the industrial life of the nation, it would likewise improve the family life. Slums, as well as the present style of workmen's houses, would disappear, and give way to decent houses and cottages, with ample room for all the amenities and conveniences of life. For while a private owner, aiming at the highest rent from his plot of land, is compelled to pack it with houses, it is a matter of indifference to the State whether a given rent is derived from 10 or from 50 square miles. Under the Single Tax system, cottages would be built on land surrounding the cities, with ample grounds, and factories would follow. The resulting withdrawal of population from crowded cities would empty present slums and streets, and would lower the rental-value of the land there sufficiently to allow of cottages being built there also on larger areas, the sole condition which would enable them to compete with suburban garden-homes. The first condition of a healthy family life, good homes offering privacy to all members of the family, would thus be secured for the whole people.

The high price of labour would make domestic service a rare condition, and would, combined with the generally high education and culture, lend it a new character. For machinery would then largely take the place of domestic hand-labour, and many domestic operations, notably cooking and laundry work, would be mainly carried on as an industrial occupation, meals being either partaken of in restaurants or sent to the houses of consumers from such establishments. The slavery of married women of the

lower, middle, and labouring class would thus be abrogated, to the great advantage of themselves and their families.

The depopulation of the country districts also would cease. For the land is used to best advantage when it is used in small areas by independent labourers. The taxation of rent would force landowners to allow it so to be used, and the country would then again afford ample opportunities for a healthy, profitable, and pleasurable life.[1]

Not only would the exodus of the country population to the cities be stopped, but a great return flow from towns and cities would take place. Town life and country life would thus lose much of their distinctive character. Townspeople living in garden-homes, and country-people living far more closely together than at present, would gain physically, mentally, and morally by this change.

Socialists not infrequently have denied the efficacy of the Single Tax system as a cure for social injustice. While ardent claimants for Land Nationalisation, they deny that any plan of Land Nationalisation will suffice to procure social justice. An examination of the reasons on which this denial is based will, however, show its erroneous character. Mr. H. M. Hyndman, President of the Social Democratic Federation of Great Britain, is one of these objectors. He states :—

[1] "In the Thames Valley ten or twelve villagers in Flackwell Heath took between them a farm of mine of over 200 acres, at the same rent as the outgoing tenant paid. They have had it for four years, and are working it profitably and paying their rent. They employ more labour than the old tenant did; they pay better wages; and one man, during the first year of his take, grew more corn and straw on twenty acres than was got off the whole farm the year before, when it was cultivated by a single farmer.

"The parish of Humberstone, in Lincolnshire, is part of the Carrington estate, and consists of 2700 acres. The custom in this village has always been, that three or more acres of land go with most of the cottages. . . . In Humberstone the labourers' children are healthy and well fed, and the labourers are industrious, steady, hardworking men, who have for themselves solved the problem of Old Age Pensions by their own savings from their little piece of land and cows. . . . There are no poor, and I do not know of any one of this parish going to the workhouse or receiving outdoor relief for years. . . .

"Another proof that allotments pay is afforded by the applications made to the Holland County Council for small holdings. In 1892, 112 applications were made, and every one of the applicants possessed capital ranging from £10 to £100, which they had obtained by cultivating allotments. . . .

"What also is a most important feature is, that many of the tenants are young men who would certainly not have been content in that district on a mere weekly wage of 12s. or 15s., but would assuredly have tried their fortunes in our large towns. . . ."—"The Land and the Labourers," by Lord Carrington, *The Nineteenth Century*, March 1899.

"If agricultural rents and ground rents were taken by the State to-morrow, the main difficulties of our great social problem would be almost as far from solution as ever. It needs but few figures to make this clear. Out of the total agricultural production of Great Britain, which is estimated to be worth, one year with another, £300,000,000, the landlords take, at the outside, little more than one-fifth, or £65,000,000 as rent. But as the late Mr. Toynbee pointed out, of this £65,000,000 not more than £30,000,000 would represent the 'unearned increment' owned by individual landlords. Say the ground rents and royalties amount to another £60,000,000, only one-half of this would be unearned increment either, and it is still the fact that by mere confiscation of competition rent the State would not get more than £60,000,000 a year, the rest being, in one way or another, profit on invested capital, which, on this basis, it is not proposed to touch. . . . Now, granting that this is a vast sum, which would pay at least two-thirds of our present imperial revenue, now levied by direct and indirect taxation—and this is the proposal of these champions of the enforced confiscation of competition rents—what class would be benefited thereby? . . . Unquestionably the capitalists, who will be relieved of taxation to a large amount themselves, and who, on the taxation of the workers being lessened, would reduce wages on the average by the amount of such remittance."[1]

The reasons, and the only reasons, which Mr. Hyndman thus adduces for his allegation that the adoption of the Single Tax system would leave "the main difficulties of our great social problem almost as far from solution as ever," are: (1) That the amount of rental-values is small; (2) that the capitalist will be relieved of taxation; (3) that wages will fall *pari passu* with the removal of taxation from the earnings of the working population.

The validity of the first reason turns entirely upon a question of fact. Against Mr. Hyndman's guess of £60,000,000 as the annual value of land in the United Kingdom may be placed the reports of the Commissioners

[1] Hyndman, *The Historical Basis of Socialism*, pp. 300, 301.

of Inland Revenue, as revealing the actual land-values on which taxes are paid. The report of 1897 shows taxes to have been paid in 1896 on annual land-values amounting to £202,221,944, after all improvements have been deducted, a sum more than three times as large as Mr. Hyndman's estimate.[1] Nor is it astonishing to find Mr. Hyndman's guess so wide of the mark, when he regards royalties and ground rents as composed of improvement values to half their amount. A further peculiarity, which Mr. Hyndman shares with other critics, is, to disregard the manifest consequential changes which such a profound modification of existing social conditions as the appropriation of rent by the State must entail.

It is advisable to meet here the allegation, frequently made, and on no better evidence than that adduced by Mr. Hyndman, that annual land-values are lower generally than the revenue which governments require from taxation. The opposite is true: in all civilised countries the annual value of land largely exceeds the revenues raised by taxation. In the United Kingdom the imperial and local revenues raised by taxes, duties, rates, and tolls, amounted in 1896 to £138,852,859,[2] as against an annual land-value of £202,221,944, showing an excess for the latter of over £63,000,000. Likewise in the United States the total national, State, and municipal revenues raised by taxation in 1890 amounted to $828,541,000, while the annual value of land, as far as it can be ascertained, was $1,591,793,000, leaving an annual surplus of $763,252,000.[3] The colony of Victoria, when at its lowest ebb in 1893, shows an annual land-value of £6,514,832, while the State and local revenues raised by taxation, with the deficit of the year added, amounted to £4,045,767, showing an excess of land-values of £2,469,065.[4] These instances, comprising countries differing widely in their state of development, show that, generally, the rental-value of land exceeds that part of the

[1] See Appendix, Table I. A pamphlet issued by the Fabian Society, *Facts for Socialists*, p. 5, states the annual rental-value in the United Kingdom to be £230,000,000.

[2] See Appendix, Table II.

[3] See Appendix, Table III.

[4] See Appendix, Table IV.

common expenditure which is met from taxation, and will be sufficient to meet this expenditure even when spurious rent has disappeared, and apart from the consideration that the necessary expenditure of governments will be largely reduced under the Single Tax system.

Mr. Hyndman's second objection, that capitalists would be relieved from taxation as capitalists, is true, but probably to a smaller extent than he supposes. In the United Kingdom the amount which capital contributed to the imperial and local revenues in 1896 was, as far as can be ascertained, £35,752,729, while the contribution of the working population was £73,013,217.[1]

The fact that capital will be freed from taxation is not, however, a valid objection; on the contrary, it seems to be one of the merits of the Single Tax system. Mr. Hyndman has overlooked that the great capitalists are invariably owners of monopolies, and would pay far more in taxes on monopoly than they now pay in taxes on capital. Moreover, the question surely arises, Does the taxation of capital benefit the working population? Even if it were admitted that under existing conditions it does not harm them—which it must do if it in any way lessens the employment of capital—it surely cannot in any way increase their wellbeing, as the taxation of monopoly does. Hence, even if present conditions alone are contemplated, the escape of capital, *i.e.* labour-products from taxation cannot be urged as a valid reason against the utility of the Single Tax system. When, however, it is recollected that under the altered conditions which the application of this system will create, capital will be owned largely, if not wholly, by the workers themselves, the futility of this objection becomes still more apparent.

Mr. Hyndman's third reason, that the removal of taxes which fall on the earnings of labour is invariably accompanied by a corresponding fall in their wages, is again largely a question of fact. Between 1825 and 1861 an enormous load of taxation was removed off the shoulders of the workers of Great Britain. Did their wages fall during this period, or are they lower now than

[1] See Appendix, Tables V. and VI.

they were in 1825? Did the abolition of the Corn Laws, as one example, lead to a reduction in British wages? On the contrary, there is not a statistician or economist of any standing who does not paint in glowing colours the improvement in the condition of the working population since this date, an improvement arising alike from an increase in money wages and from an increase in the purchasing power of every unit of such wages. Even socialist economists admit these facts.[1] It is, therefore, manifest that Mr. Hyndman's third and last objection is as erroneous as the others.

It is not denied that there are circumstances in which a reduction of taxes which fall on wages would reduce money wages. When production is stationary, wages tend to fall to the subsistence level, because rent and monopoly charges gradually encroach upon and absorb all the excess produce. A reduction of taxes on labour would in such conditions merely lead to an increase of rent. Advancing production, however, necessarily increasing the demand for labour, counteracts this tendency even under existing conditions, and preserves the advantage more or less to labour. The Single Tax system, however, would absolutely destroy the tendency of wages to fall to the subsistence level which Mr. Hyndman, in common with socialists generally, exaggerates into an invariable fact. For as rent becomes a common possession, any reduction in individual wages would be compensated for by an increase in the common possession; and as rent rises, this common fund, assuming more and more importance, would tend to modify differences of condition arising from differences in individual ability. And further, as labourers are mostly able to employ themselves when rent is common property, labour is more powerful in bargaining for wages than capitalists, and wages would therefore always be at the

[1] "It will not, I think, be generally disputed that the last sixty years have seen a very great advance in the condition of a very large part of the people" (p. 16). "It is unnecessary to say very much about the general rise in money wages which has taken place since 1837. There seems no reason to doubt, so far as concerns the male workers, the general accuracy of Sir Robert Giffen's conclusion that the rise in nearly all trades has been from 50 to 100 per cent" (p. 9). "I see no reason to doubt the statistical conclusion that prices are on the whole lower than in 1837" (p. 22).—Sidney Webb, *Labour in the Longest Reign.*

highest possible level, *i.e.* equal to the value of each labourer's product.[1]

Mr. J. A. Hobson attacks the efficiency of the Single Tax system from other standpoints.[2]

"The most casual reflection upon the recent course of English industrial history would seem to make it evident that other classes have partaken, and more fully than the landowners, in the immense growth of industrial wealth during this century. . . . Those who regard the nationalisation of the land of England as a cure for all the ills that states are heir to, ignore the leading feature of our modern commercial policy, its internationalism. Grant their major premises that common ownership and control of land will procure equality of economic opportunities for all citizens and cut away the natural supports of all industrial monopolies, can such a consummation be attained by us by nationalising the land of England? Is not the land of America, China, Egypt, Russia, and all other countries, which by trade intercourse supply us with food and materials of manufacture, as integral a part of England for economic purposes as the land of Kent and Devon? No ultimate solution of the land question or any other social problem is even theoretically possible upon a strictly national basis. Neither the policy which posits 'land' as the residual claimant in distribution, nor the policy which assumes that political limits are coterminous with economic limits, can gain any wide and permanent acceptance among thoughtful people."

The first of these arguments, viz. that other classes have partaken even more than landowners of the immense growth of wealth, even if its truth were admitted, would furnish no valid objection to the Single Tax system. For the theory on which this system is based does not postulate that the acquisition of wealth by any individual or class other than landowners is impossible under the existing system; nor does it assert that the acquisition of wealth by any individual or class is socially injurious. What it

[1] See Part II. chap. x.

[2] J. A. Hobson, "The Influence of Henry George in England," *Fortnightly Review*, December 1897.

posits is, that the acquisition of wealth without equivalent service rendered by those who acquire it is alike unjust and socially injurious. If Mr. Hobson were to contend, which he does not, that other classes than landowners, monopolisers of land for special uses, and owners of tax monopolies have gained wealth without rendering equivalent service, his objection would have point. Even if this could be shown, as it might be shown of gamblers at the stock exchanges, the question would still arise whether such gambling in monopoly-values would be possible when monopoly-values have ceased to exist. As in this case, so in all cases, the abolition of legalised private monopoly must destroy not only the power of all such landowners, but the power of all others as well to legally obtain wealth in excess of services rendered by them.

The second objection, admitting that the Single Tax system if generally adopted would secure equal opportunities for all, denies that its adoption in England alone would secure equal opportunities to all the inhabitants of England ; and posits that, owing to the world-wide interchange of commodities, the Single Tax system must be adopted in all countries before it can secure equal opportunities to the inhabitants of any country. This argument is of precisely the same character as that which denied the feasibility of the adoption of Free Trade by the United Kingdom as long as other countries refused to do so. It arises from the exaggeration of a well-established fact. Trade benefits both parties to it, and the larger the trade the greater the resulting benefit of each. As long as any country maintains laws which diminish its trade, it must not only reduce the prosperity of its own people, but the prosperity of others as well, though to a smaller extent. Nor does it matter whether this diminution of interchange arises from laws directly framed for this purpose, or whether it arises from laws which indirectly achieve this result by reducing production and consumption.

The application of the Single Tax doctrine, of the Free Trade doctrine, or of any other beneficial economic legislation in any one country therefore produces smaller results than if it were applied in all countries. But to

infer from this truth that the application of just and beneficent laws in a single country cannot produce any results, or even that it cannot produce great results, is to fall by exaggeration into untruth. If the general application of the Single Tax system would produce equality of opportunity for all men, its application in England must produce equality of opportunity as far as all Englishmen are concerned. Every inhabitant of England will be free to produce all the wealth his powers enable him to make, and will himself enjoy the whole of it. Likewise will he enjoy untaxed any products of foreign labour which he may purchase with the products of his own labour. If the foreigners with whom he trades refuse to adopt the Single Tax system, their land will continue to be insufficiently used, they will produce less wealth, and the mass of their people will consume far less wealth than they otherwise would. They therefore will have less power to purchase English goods, and if they have a natural monopoly in the production of any goods which Englishmen want, the latter will be obliged to give more of their own goods to obtain them. The refusal of other nations to adopt the Single Tax system will harm Englishmen to this extent, and to this extent only. But they have now to purchase such monopoly-goods at prices similarly enhanced by this cause, and in several instances further inflated by English customs duties; and most of them have to do this while themselves receiving only a part of the produce of their labour. To give them the full produce of their labour, therefore, is a benefit to all Englishmen, even if other nations refuse to do the like to their members. If they do likewise,. the benefit to Englishmen will be greater still. But in no way can it be shown that the refusal of other nations to do the like act of justice will deprive Englishmen of all or even of a major part of this benefit.

It may, however, be held that Mr. Hobson's objection looks for its justification in another direction, that he is of opinion that largely increased wages would so far reduce the competitive power of English industry as to lead to the exclusion of English goods from foreign markets.

This, however, cannot be the case. For Mr. Hobson has shown elsewhere with great lucidity that he agrees with the teaching of nearly all modern students of political economy, with F. A. Walker, Gunton, Schoenhof, Gould, Atkinson, Brentano, Schultze-Gaevernitz, and others too numerous to mention, that high wages tend to produce other results; that they increase the consumptive power of a people so largely as to reduce exports to the limit of necessary imports without injury to local industry; that they stimulate the productive power of a nation, the efficiency of labour and capital, to an extent which excludes all fear of loss of competitive power.

He states:—

"Our evidence leads to the conclusion that while a rise of wages is nearly always attended by a rise of efficiency of labour and of the product, the proportion which the increased productivity will bear to the rise of wages will differ in every employment. . . . Every rise in wages, leisure, and in general standard of comfort will increase the efficiency of labour; every increased efficiency, whether due directly to these or to other causes, will enable higher wages to be paid and shorter hours to be worked."[1]

"Though the individual self-interest of the producer cannot be relied upon to favour progressive wages, except in certain industries and up to a certain point, the collective interest of consumers lends stronger support to 'the economy of high wages.' We have seen that the possession of an excessive 'power to consume' by classes who, because their normal healthy wants are already fully satisfied, refuse to exert this power, and insist upon storing it in unneeded forms of capital, is directly responsible for the slack employment of capital and labour. If the operation of industrial forces throws an increased proportion of the 'power to consume' into the hands of the working classes, who will use it, not to postpone consumption, but to raise their standard of material and intellectual comfort, a fuller and more regular employment of labour and capital must follow. If the stronger organisation of labour is able to raise wages, and the higher wages are

[1] J. A. Hobson, *The Evolution of Modern Capitalism*, pp. 274, 275.

used to demand more and better articles of consumption, a direct stimulus to the efficiency of capital and labour is thus applied. . . . When it is clearly grasped that a demand for commodities is the only demand for the use of labour and of capital, and not merely determines in what direction these requisites of production shall be applied, the hope of the future of our industry is seen to rest largely upon the confident belief that the working classes will use their higher wages, not to draw interest from investments (a self-destructive policy), but to raise their standard of life by the current satisfaction of all those wholesome desires of body and mind which lie latent under an 'economy of low wages.'" [1]

Whichever, therefore, is the meaning of the somewhat enigmatical utterance under review, it is manifest that it forms no valid objection to the Single Tax system; that whether the latter is applied in a single country or in many countries simultaneously, its results must be great and beneficial.

The writers of the *Fabian Essays* also raise one, and only one, objection to the efficiency of the Single Tax system as a remedy for social injustice and the resulting evils.[2]

"Ever since Mr. Henry George's book reached English radicals there has been a growing disposition to impose a tax of twenty shillings in the pound on obviously unearned incomes—that is, to dump four hundred and fifty millions a year down on the exchequer counter, and then retire with three cheers for the restoration of the land to the people.

"The result of such a proceeding, if it actually came off, would considerably take its advocates aback. The streets would presently be filled with starving workers of all grades, domestic servants, coachbuilders, decorators, jewellers, lace-makers, fashionable professional men, and numberless others whose livelihood is at present gained by ministering to the wants of these and of the proprietary class. . . . The Chancellor of the Exchequer would have three courses open to him :—

[1] J. A. Hobson, *The Evolution of Modern Capitalism*, pp. 282, 283.
[2] *Fabian Essays*, pp. 189, 190.

(1) "He could give the money back again to the landlords and capitalists with an apology.

(2) "He could attempt to start State industries with it for the employment of the people.

(3) "Or he could simply distribute it among the unemployed.

"The last is not to be thought of; anything is better than *panem et circenses*. The second (starting State industries) would be far too vast an undertaking to get on foot soon enough to meet the urgent difficulty. The first (the return with an apology) would be a *reductio ad absurdum* of the whole affair—a confession that the private proprietor, for all his idleness and his voracity, is indeed performing an indispensable economic function, the function of capitalising, however wastefully and viciously, the wealth which surpasses his necessarily limited power of immediate personal consumption. And here we have checkmate of Henry Georgeism, or State appropriation of rent without Socialism."

This objection, though, or perhaps because, coming from the most intellectual champions of Socialism, is the weakest of all. For it is obviously based on the erroneous assumption that a gradual absorption of rent is impossible, that the whole of it must be appropriated by one sudden act. Its invalidity, therefore, is manifest as soon as it is realised that the process can be gradual; that starting with a moderate tax on all land-values, this tax may be increased from time to time, till, after the lapse of a considerable period, it absorbs the whole rental-value. For under such conditions the disorganisation of industry, so graphically described by the essayist, could not occur. The demand of the working population for goods would grow at a greater rate than the demand of the monopolistic classes for goods and services would decline, and more labour, therefore, would be absorbed in the former direction than could be spared in the latter. The new and greater demand would, it is true, be for a different quality of goods; but those who are skilful enough to produce the superior qualities would also be able to produce inferior qualities of the same goods; and in any

case, the change in demand would arise so gradually as to enable even changes of occupation to be made without any great hardship.

Moreover, this latter difficulty, necessary change of occupation, adheres to Socialism as much, and perhaps more, than to Single Tax. For Socialism also posits the gradual reduction of the wealth of the capitalistic classes and the gradual increase in the wealth of the workers. It, therefore, necessitates a like adaptation of production to these altered conditions. If this necessity is a valid argument against the efficiency of the Single Tax system, it is, therefore, an equally valid argument against the efficiency of Socialism. It is, however, invalid in either case. All social changes, even the most beneficial, must produce some temporary disturbance of existing arrangements. Such disturbance, therefore, is no valid argument against reforms which produce permanent benefits. All that may be claimed is, that the reform be introduced so gradually as to minimise temporary hardship. This the Single Tax system does to an extent which makes any such temporary hardship almost impossible.

CHAPTER VI

MR. EDWARD ATKINSON'S OBJECTIONS

THE objections urged against the Single Tax doctrine by two eminent economists[1] are worthy of consideration and examination. One of these is Mr. Edward Atkinson, whose numerous objections,[2] embodied in the following extracts, must be considered *seriatim* :—

"The Single Tax, whatever its amount may be and at whatever point it may first be collected, can be but the taking of a part of the joint product of land, labour, and capital, by due process of law, from the people who do the actual work by which men subsist; such products thus taken from producers being applied to the consumption of those who do the necessary, but not directly productive, work of the Government."

A tax on the value of land is a tax on rent. Rent is not received by any capitalist or labourer, but by the owner of the land. Even if the same person is capitalist, labourer, and landowner, he still receives the rent, not on account of the expenditure of capital or labour on the land, but by virtue of being the owner. He would receive rent just the same if he were neither capitalist nor labourer. Is the landowner, as landowner, one of "the people who do the actual work by which men subsist"? His only work as a landowner consists in the reception of rent. Is this part of the "actual work, etc."?

[1] Precedence would have been given to the arguments urged against the justice and expediency of the Single Tax system by Herbert Spencer in *Justice*, but for the fact that Henry George has so fully refuted them, alas! not without excusable bitterness, in *A Perplexed Philosopher*, that further refutation is as impossible as unnecessary.

[2] "A Single Tax upon Land," *The Century Magazine*, July 1890.

If this question is answered in the negative, as it must be answered, it is admitted that the Single Tax does not take anything from those "who do the actual work by which men subsist," but merely takes, for the common benefit, common property now absorbed by parasites on production. Mr. Atkinson is, probably, the only economist of any standing, living or dead, who has asserted, or would dare to assert, that rent is the reward for productive services rendered by the landowner. Such authorities as Adam Smith, John Stuart Mill, Cairns, Walker, and Marshall, as well as innumerable others, emphatically assert the opposite. . . .

"Since such a tax must necessarily be the first lien upon the land, and must be paid year by year, even in advance of its cultivation or its use, for business purposes or dwellings; and since the payment of this tax in money would of necessity become the sole condition on which the possession or use of land for any purpose could be granted by the State, it might happen that the burden would become too great to be undertaken, except by persons who already possess ample capital from which they could advance the taxes in anticipation of recovering them from the product of the land or from the income of their buildings.

"Could the poor farmer, the mechanic, or the artisan of moderate means, or, in fact, could any who did not possess ample capital, afford to accept the conditional possession of land under such terms? Each one who now occupies land can answer this question for himself by multiplying the present tax upon his land by five or at least by four."

In making this objection Mr. Atkinson seems to have overlooked several obvious and important facts. The first of these is, that poor farmers, mechanics, and artisans of moderate means are not owners of very valuable land, and that if they want to occupy valuable land now, they have to pay a higher rent for the same than the tax would amount to on the full establishment of the Single Tax system. The second fact is, that in addition to a rent higher than the Single Tax, these poor farmers, artisans, and

mechanics have now to pay taxes and charges of which the Single Tax system would relieve them absolutely, and which —certainly in the case of American farmers, mechanics, and artisans—largely exceed the annual value of the land which they occupy. The third fact is, that the Single Tax system, by compelling the full use of all valuable land, would largely increase wages. Inasmuch, therefore, as the Single Tax payable by the classes mentioned would be less, and considerably less, than one-half of the burdens which they now bear when using land, while at the same time their power to bear burdens, their wages, would be largely increased, it follows that the Single Tax, instead of reducing the power of poor persons to use land, as Mr. Atkinson asserts, would largely augment that power, enabling them to use land now far beyond their reach.

Like results would obviously ensue in those cases in which poor farmers, mechanics, and artisans nominally own properties which are heavily mortgaged. They pay interest and taxes, whereas under the Single Tax system they would be able to occupy land of like value while paying no interest on purchase-money, and a single tax frequently less in amount than they now pay in the multitudinous taxes to which they are subjected.

It may, however, be that Mr. Atkinson, when he made this sweeping assertion, had in his mind only that small minority of poor persons who own, free of mortgage, the land which they occupy. Such persons, under the Single Tax system, would have to pay a tax equal to the then rental-value of the land, and would only save the amount which they now pay in taxation. Where such taxation is higher than the rental-value of their land, they will be in a better position to occupy land. Where present taxation is less—a rare case—they will still be in a better position, on account of the increase in their wages.

Mr. Atkinson's apprehension, however, becomes somewhat ludicrous when the value of land usually occupied by such poor persons as he enumerates is considered. A mechanic or artisan does not generally occupy more land than suffices to support his cottage. Nor is his domicile usually to be found in those quarters of great cities where

land-values are high. From £60 to £100 is usually the value of all the land occupied by cottages of which artisans and mechanics acquire the freehold. Even if rent is calculated at the high rate of interest of 5 per cent, such men would be burdened with annual payments in substitution for, not in addition to, present taxation of from £3 to £5.

The freehold farmers of the United States own farms of an average value of $2000, inclusive of improvements.[1] As the latter in new countries bear a larger proportion to land-values than is the case in other classes of real property, $1000 may be safely taken to be the average land-value of American farms. The annual tax payable under the Single Tax system by American farmers, therefore, would, at 5 per cent, amount to $50 or £10, or less. This sum they would pay, not in addition, but in substitution for existing taxes and undue railway charges. Every one of them also would thus find his burdens largely reduced by the Single Tax system, instead of their being increased as Mr. Atkinson asserts.

Finally, Mr. Atkinson assumes that the Single Tax must always be paid in advance of occupation and cultivation. There is nothing to warrant this assumption. Local authorities assessing and collecting the tax will naturally cause it to be payable at a time which embarrasses their constituents least. Any one entering upon the occupation of waste land—of land surrendered by a former occupier—or taking over land under agreement with its occupier, will, if the land have value, pay the tax on the date fixed by law. This may be the day after he entered upon the land or twelve months later, according to the date of such entrance. To exact the rent in advance, which under Land Nationalisation may be necessary, is not only unnecessary under the Single Tax system, but is foreign to its spirit, and impracticable under the regulations which the application of the system imposes. Mr. Atkinson's apprehension, therefore, is groundless. The Single Tax system, instead of making it more difficult for poor men to occupy and use valuable land, will render it infinitely easier and more profitable for them to do so.

[1] *Report of Bureau of Labour Statistics of Illinois*, 1894, subject, "Taxation," p. 131.

"If this theory of a single tax on land were carried into effect it would probably load all desirable lots of land, either in city or in country, with such permanent burdens that none but large capitalists could thereafter afford to occupy them for any purpose whatever. The owners of capital would not then be obliged to pay any principal sum or capital for the purchase of land. They would, therefore, retain the whole of their large capital for its improvement, and they would thereafter secure as large an income from their capital only as they now derive from the rent of the land which they now purchase and capital combined."

In refuting the previously cited objection it has been shown that the Single Tax makes it easier for poor men to occupy and use land. The present objection relates to land of great value, and first expresses a fear that such land will be "loaded with such permanent burdens that none but large capitalists could afford to occupy them." How can the Single Tax add to the burdens of intending occupiers of very valuable land? Take a piece of land of a value of £50,000. Under existing conditions the intending occupier may either purchase or rent it. If he does the former, the occupancy and use of the land is burdened with an annual interest charge, which, at 5 per cent, amounts to £2500. If he rents the land on long lease his use and occupancy may be burdened with more, and will certainly be burdened with this same amount as rent. In addition, his use and occupancy is in either case burdened with taxes on capital or income, or both. Under the Single Tax system, other conditions being equal, he will be burdened with a smaller rent charge, say £2000, and with no taxes on capital or income. Obviously, therefore, whatever the value of the land may be, the Single Tax system must reduce, and cannot increase, "the permanent burdens" on its use and occupancy. Smaller capitalists, therefore, than can now afford to do so would be enabled to use land of great value.

The second objection is, that owners of capital, instead of paying part of it for land, would devote all of it to improvements, thus reaping as large an income as now.

If this objection were urged by a socialist working man, ignorant of the rudiments of political economy, it might create no astonishment. But when it is seriously advanced by one of the foremost economists of the United States, innocent of socialistic tendencies, it shows the straits to which the opponents of the Single Tax theory are put. For it is obvious that incomes derived from the ownership of land and from the ownership of improvements differ widely in their economic and ethical character. The former is not a reward for services rendered, but a tribute; it is deducted from the product of the national labour, without the recipient having rendered any assistance to this labour. The latter income is a reward for services rendered; it is a deduction from the product of the national labour, generally less, and never more, than the value of the assistance rendered to this labour.

Moreover, under existing conditions capitalists do not always devote any great part of their capital to the creation of improvements. In progressive communities they run less risk by devoting nearly all of it to the purchase of land. By keeping this land idle, they, if their speculation is successful, obtain an equivalent to income through the rise in the rental-value of land due to the progress of the community, while avoiding the trouble and risk of seeking investments for surplus income. This action, keeping land out of use, even more detrimental to the general wellbeing than their appropriation of rent, may and frequently gives them a larger income than capitalists could obtain under the Single Tax system, who, with equal success in their speculation, had used a like amount of capital in creating improvements. The income obtained by capitalists who purchase land, therefore, is, either in part or wholly, detrimental to the community; the income which capitalists obtain under the Single Tax system is wholly beneficial to the community.

The following two objections, separated in the essay by other matter, are here brought into juxtaposition in order to show their utterly contradictory character :—

"It matters not where the tax is first imposed—whether by a single tax on land or by multifarious taxes on other

objects—this work will be distributed as a part of the cost of the national product, either on the whole or on the special products subject to taxation. Under the Single Tax system the tax would be distributed substantially in proportion to the consumption of all products of every kind by the people of every class. Taxes will not stay where they are put; if they would, the tax question would be solved with very little difficulty."

"Now let it be admitted that a way can be conceived for determining the relative value of every parcel of land in the United States . . . and that a tax of 5 per cent upon that land would yield a revenue sufficient to defray the entire expenses of the Government; in such event substantially all rent of any kind would be absorbed by the tax. What would next ensue? . . . The moment land ceased to yield an income or rent to the owner no one would pay him anything for it. The market value of land would no longer exist."

If the Single Tax "will not stay where it is put"; if it "would be distributed" among consumers "substantially in accordance with the consumption of products," it could not lessen the incomes of landowners. Land could not then "cease to yield an income or rent to the owner." If, on the other hand, the imposition of the Single Tax on land does deprive the owners of land of all income or rent, it is obvious that they pay the tax; that the tax does "stay where it is put," and cannot be "distributed" among the consumers. Yet Mr. Atkinson asserts that both these mutually exclusive results must be expected.

"It requires but little observation to prove that neither the area of land nor the value of land as now computed bears any positive or equal proportion to the product. In the production of the crude materials which are converted into food, or the crude fibres which are converted into clothing, a very large area of land is required both in ratio to the quantity and the value of the crude product.

"With respect, for instance, to wheat, the area of land which must be devoted to its product in a crude form—*i.e.* as grain—is very great in proportion to the area of land which must be occupied by either the railway, the miller,

or the baker, or the dealer who distributes the bread; yet the value which is added to the wheat by the work of the railway, the miller, the baker, and the tradesman who distributes the bread is about two to one as compared with the value at the farm of the crude product of the wheat of which the bread is made. If land only is taxed, the farmer must pay the larger part of the tax or recover it from consumers in the best way he can devise. If he cannot recover it he must stop work."

Though in the first sentence of the above quotation it is insinuated that the subsequent argument will take into account the value of land, no further notice is taken of it, and the conclusion is reached that "farmers must pay the larger part of the tax" because they use "a greater area of land" than subsequent manipulators of crude products. Two facts are overlooked: First, that farmers generally pay rent or interest on mortgage and taxes as well, whereas under the Single Tax system they would pay rent alone, and a smaller rent, in the form of a tax. The second is, that though the area of land used by farmers is larger than that used by railways, millers, bakers, and distributers of bread, the value of land used by farmers is not necessarily greater than that used by other classes of the population. As the Single Tax is to be imposed in accordance with value and not in accordance with area, the statement that "the farmer must pay the larger part of the tax" could only be true if farming land was more valuable than all the other land of a country. This is a question of fact, and the facts prove that the value of agricultural land everywhere bears but a comparatively small proportion to the value of all land. In the United Kingdom the annual value of all agricultural land, apart from improvements, is about £42,000,000, or 20 per cent of the total annual value of land.[1] Instead of paying the greater part of the Single Tax, agricultural land would, therefore, pay only the fifth part of it.

In the colony of Victoria, agricultural land, inclusive of the land of country towns and hamlets, has a capital value of £57,324,405[2] as compared with a total land

[1] See Appendix, Table I.

[2] Return of Government Statist, 1893.

value of £145,569,000.[1] The value of agricultural land may, therefore, safely be placed at less than 35 per cent of that of all the land privately owned. Such land would, therefore, pay less than 35 per cent of the Single Tax, even in this pre-eminently agricultural and pastoral community, instead of its larger part.

In the United States the census of 1890 returns the aggregate real value of farms (in round numbers) at $13,729,000,000 out of a total taxable real estate value of $46,000,000,000.[2] The value of farming land would thus appear to be just under 30 per cent of all land-values, and the contribution of farming land to the Single Tax would also be less than 30 per cent instead of "the larger part." It is, however, more than probable that, owing to undervaluation of city properties, the proportionate contribution of farmers has been overstated.

The further assertion, contained in the last sentence of the preceding quotation, that the farmer must stop work unless he can recover the Single Tax, again overlooks the fact that it will be imposed in substitution and not in addition to all the taxes and excessive railway charges which unencumbered freehold farmers now pay; and that more than one half the farmers of the United States, being either tenants or burdened with mortgages,[3] are now paying more than the Single Tax in addition to all other taxes and charges. All the farmers, and especially the latter class, would, therefore, reap much larger incomes under the Single Tax system than they do now, though they cannot shift the tax. As they have not stopped work under existing conditions, it is not to be apprehended that they will do so when their work is so much more profitable.

"If land should be taxed at its 'site' value, without regard to the capital or value of the buildings or improvements upon it, then the poor man who may now be in possession of a small house must pay as much as the rich man who owns a large house in the next lot of the same site-value, or an expensive warehouse in the

[1] See Appendix, Table IV.

[2] Shearman, *Natural Taxation*, p. 184.

[3] *Ibid.*

immediate neighbourhood on another lot of the same site-value."

Where poor men own a small house next door to a rich man's large house, the respective site-values of the land on which these houses stand cannot possibly be the same. It may be so foot for foot, but inasmuch as the large house necessarily occupies a greater area than the small house, its site-value, and the Single Tax which the owner must pay, must be greater than that of the small house and of the tax which its owner must pay. Moreover, in the rare cases in which land is occupied by rich men's houses in working men's quarters, the rich man's house is generally surrounded by grounds, while the poor man's house is not. The rich man, even in these exceptional cases, would, therefore, pay far more than his poor neighbours. As a general rule, however, rich men's houses are built on land which foot per foot is far more valuable than that of which poor men possess the freehold. And further, while the land on which his cottage stands is all the land and all the monopoly-right owned by the poor man, the rich man generally owns other land and monopoly-rights besides the land on which his house stands. While the contribution of this poor man to the Single Tax, therefore, will be insignificant, that of the rich man will be large.

"Their (the single taxers') main object would be attained if land should cease to have any saleable or market value, as the result of the Single Tax imposed upon it. Yet the necessity is admitted by them that land should be placed in the possession of private persons in order that labour and capital may be applied to its use and occupancy for purposes of production and distribution. . . . Would it not become necessary for assessors to be appointed by the national government to establish what the Single Tax system calls the 'site' value of land? How would these assessors determine the exact or full amount which any person could afford to pay for the choice of land or for the selection of a particular site in order either to cultivate or to occupy it?

"How could this 'site' value be established without

practically leasing the land at specific or fixed rates of annual taxation, established so as to cover long periods of time? Without such permanent possession at a fixed rate who would expend capital upon land?"

This, the last quotation from Mr. Atkinson's essay, embraces two objections: one, that it is practically impossible to determine the value of land for purposes of taxation under the Single Tax system; the other, that no one would expend capital on land unless the land were leased for long periods at a uniform rental or tax.

As to the first of these objections, the annual value of land is determined by competition, and will be so determined under the Single Tax system. The rent payable for houses in a given street will vary with the demand. If a given house, which has a building value of £1000, returns a rent of £100 one year and of £120 the next year, the local assessors know that the rental-value of the 'site' and not of the house has increased. It is not the assessors who assess the site-value, but the public demand for the site. No difficulties, therefore, can be encountered in assessing this value.

As to the second objection, it is true that few persons are foolish enough to expend a large amount of capital in improvements on land belonging to private persons unless they have a long lease of the land. The reason is, that the owner of the land, in the absence of a lease, would be free to confiscate the capital expended or force the tenant to pay rent for improvements made at his own expense. Both these methods of oppression have been and still are prevalent; both would be impossible under the Single Tax system. The value on which the tax is assessed could not be raised or lowered arbitrarily; improvement values could not be included in the assessment; and as long as the tax is paid neither the present holder nor his assignees could be deprived of possession. The occupiers' security, being practically a perpetual lease at a variable rent, judicially fixed, would be better than the longest lease granted by a private owner. Therefore no one would hesitate to expend capital in improvements under the Single Tax system on the ground that he had not a lease for a number of years.

That which Mr. Atkinson pronounces impossible is actually being done. In the Chinese possession of Germany the Single Tax system has been adopted. Land is taxed at the rate of 6 per cent on its capital-value, improvements are exempted and no other tax is levied. Reassessment takes place every three years. Yet merchants and others have erected and are now erecting buildings and other improvements—are expending large amounts of capital on land, under conditions of which Mr. Atkinson asserts that they would make such action impossible.

CHAPTER VII

PROFESSOR FRANCIS A. WALKER'S OBJECTIONS

FAR more searching than the attacks of Mr. Atkinson are those made upon the Single Tax system by Professor Francis A. Walker, one of the most distinguished of American economists. These attacks are mainly contained in a small volume, *Land and its Rent*, professedly published to refute Henry George's doctrines as set out in *Progress and Poverty*. Professor Walker, however, simplifies his task very materially. As will presently be shown, he does not deny the injurious influence of private property in land on the distribution of wealth; he admits the injustice of landowners appropriating rent without rendering service in return. All he claims is that George has exaggerated the influence of rent on the distribution of wealth; that the injustice involved in private ownership of land is more than compensated for by the advantages which it confers upon the community; and that by refuting the alleged exaggerations he has refuted the validity of the claim that the interests of society urgently demand the appropriation for common purposes of the rent of land.

The points in George's arguments to which Professor Walker addresses himself, and his manner of dealing with them, will be considered *seriatim*, and are as follows:—

"Let us take up, in their inverse order, Mr. George's three capital propositions. And first, how much is there in the view that commercial disturbance and industrial depression are due chiefly to the speculative holding of land. That land in its own degree shares with other

species of property in the speculative impulses of exchange, is a matter of course. Everybody knows it; no one ever thought of denying it. Mr. George makes no point against private property in land unless he can show that it is, of all species of property, peculiarly the subject of speculative impulses. Now this is so far from being self-evident or established by adequate induction that the contrary is the general opinion of economic writers. Of all species of property, land, especially agricultural land, starts latest and stops earliest in any upward movement of prices, as induced, for instance, by a paper-money inflation, which perhaps affords the best opportunity for the study of purely speculative impulses.

"Of course, there are circumstances under which those impulses may especially attack land, and a wild 'rig' may be run in the market for this commodity, as, at other times, in the market for government stocks, mines or railways, or Dutch tulips." [1]

Is it true that "Mr. George makes no point against private property in land, unless he can show that it is, of all species of property, peculiarly the subject of speculative impulses"? Suppose it were not, is it not possible that whereas speculation in labour-products might inflict little or no harm on the community, speculation in land might inflict infinite harm, though land were no more subject to speculative impulses than labour-products? This, as a matter of fact, is George's position and also that of common sense. Speculation in wheat, for instance, holding it at the end of a good harvest, in the expectation that the next harvest may prove less plentiful, may be cited as an example of speculation in labour-products which, by preserving a part of present superfluity to meet subsequent scarcity, is beneficial to the community. Nor can it be shown that, in the absence of monopoly, any speculator in labour-products can benefit himself without conferring at least an equivalent benefit upon the community. On the other hand, no benefit, but only injury to the community, can arise from speculation in land, whether it is speculation which keeps land out of use, or which "rigs" the

[1] *Land and its Rent*, pp. 162, 163.

land market in other ways to the temporary increase of land prices and rent.

While Mr. Walker thus misconceives the problem presented to him, he similarly misunderstands the question which he himself puts, *i.e.* whether land is peculiarly the subject of speculative impulses. For obviously this is not merely a question of agricultural land, to which he confines it, but of all land. Which are the main objects of speculation at Stock Exchanges? Railways, tramways, mines, gas and water shares and similar securities, based on the ownership of land or special privileges to land, easily come first. Moreover, any inflation, whether it be a paper-money inflation, or any large addition to capital seeking investment, results first and foremost in the speculative rise of urban properties. Wild speculation in such lands, periodically recurring, can be recalled by any man who has passed middle age in any progressive country where free trade in such land exists. By far the greater part of land-values, therefore, are not merely "peculiarly the subject of speculative impulses," but are pre-eminently the object of speculative transactions and excesses.

The peculiarity, here apparent, of regarding agricultural rent as the only rent, adheres to Mr. Walker's argumentation throughout. As is seen in the foregoing quotation, he even overlooks the obvious fact that mines are as much land as farms, *i.e.* apart from improvements, and disregards urban rents altogether. Yet, inasmuch as the value of agricultural land represents only a small part of all land-values, this treatment of the subject must necessarily lead to erroneous conclusions.

"We now come to Mr. George's second count. The allegation that the enhancement of the value of land, above what should be regarded as the capitalised value of its present productive or income-yielding power, withdraws large bodies of land from cultivation, thus driving labour and capital to poorer and more distant soils, in order to secure the needed subsistence of the community, can only be characterised, so far as all the agricultural uses of land are concerned, as a baseless assumption, for which not a

particle of proper statistical proof can be adduced, and which is directly contrary to the reason of the case.

"Because, forsooth, a man is holding a tract of land in the hope of a rise in its value years hence, does that constitute any reason why he should refuse to rent it, this year or next, and get from it what he can, were it not more than enough to pay his taxes and a part of the interest of the money borrowed, to 'carry' the property?"[1]

In a footnote to page 165, Mr. Walker says further: "It will be observed that in the extracts quoted it is cultivation which is spoken of." Yet, strange to say, while drawing the attention of his readers to this fact, he himself has forgotten it. For all his argument is directed to show that the speculative holders of agricultural land would sooner let it for a small amount than keep it idle. Yet that is not the problem. It is whether these holders will invariably let the land for cultivation, instead of letting it, or themselves using it, for inferior purposes, say the grazing of sheep or cattle. For if valuable land, fit for cultivation and near to markets, is largely used for this inferior purpose, then the consequence urged by George and which Mr. Walker endeavours to disprove must follow; labour and capital must be driven to the cultivation of poorer and more distant soils.

Is the existence of these conditions "a baseless assumption" "directly contrary to the reason of the case"? Every new and progressive country exhibits them. The most fertile and one of the best watered provinces of the colony of Victoria is known as "the Western District." It runs along the coast from the Port of Geelong, past those of Warrnambool and Port Fairy, to that of Portland. Two railway lines traverse it from end to end. Land there, though very little improved, averages over £10 per acre in value, and considerable tracts have changed hands at from £25 to £40 per acre. Yet this land, held in large areas, and other land like it, have been used almost solely for grazing purposes, while intending farmers were compelled to traverse

[1] *Land and its Rent*, pp. 164, 165.

its length in their search for land. They found it in what are known as the Wimmera and Mallee provinces, where a scanty rainfall slightly moistens land of poor quality, and so distant from markets and ports that cartage and railway charges consume nearly all the profit which the farmers' labour can wring from the ungrateful soil. Land here, though far more highly improved than that of the Western District, has a value of from 10s. to £3 per acre. Is not in this instance labour and capital driven to poor and distant lands, because the owners of the nearer and far more fertile land refuse permission for its cultivation? Yet the rent which farmers would be willing to pay, and in some exceptional instances do pay, for this land, largely exceeds the return which it yields as grazing land.

Nor is this condition peculiar to this district or to Victoria. It prevails in all the Australian colonies, except where the imposition of taxation upon the value of land has, as in New South Wales and still more in New Zealand, forced the owners of valuable grazing properties to let or sell the most valuable of them for superior uses.

Nor is this all. In the business quarter of every city hovels may be seen by the side of palaces. The owners will not improve or cannot afford to improve their holdings to the extent which business requires. As a consequence traders are forced to take premises farther away from the centres of trade. The margin of production being thus lowered, rent is increased as much as by the lowering of the agricultural margin.

In new countries many building lots within the limits of towns and cities are kept idle, frequently in the most desirable situations, enforcing an extension of the city limits and a further increase of rent.

Around all cities, much land, fit for the intensest culture, is kept idle for speculative purposes. Users will only take it on long leases, owing to the valuable improvements which intense culture demands. Owners refuse to grant such leases, because it might deprive them of the opportunity to sell the land for building purposes. Similar

conditions, modified by entail, exist in Great Britain, as the report of the Royal Commission on the Housing of the Working Classes[1] previously quoted from proves.

Similarly, large areas of mining land are everywhere held out of use for speculative purposes. To such an extent is this practice carried, that a special term "shepherding" has been invented for it. Combinations for raising the price of mineral products, moreover, like the Copper Trust lately formed in the United States, can only succeed in their nefarious object by restricting the output, either keeping mines idle, or what comes to the same thing, reducing the output of mines. If they succeed, the value of all such mines rises, not the value of the improvements, but the value of the mining land.

Fixing his gaze upon the least valuable land, agricultural land, alone, Mr. Walker has overlooked all these cases in which speculation induces the idle holding of much of the most valuable land in the community, enormously increasing rent, reducing wages, and intensifying many of the worst evils of our civilisation.[2]

[1] See Part V. chapter v.

[2] On 10th February 1899, Mr. E. J. C. Morton, M.P. for Devonport, referring in the House of Commons to the condition of this town, in support of an amendment to the Address, in favour of land-value taxation, made the following statement:—

"The case which I want to bring before this House is not a case where the grievance is that the inhabitants cannot purchase or become possessed of their holdings. It is a case where there is a famine in land, and where the difficulty is to get the land on which holdings can be built; where you actually have land held up by the landlord for the purpose, and with the intention, and effect, of running up the rent of the remainder. . . .

"I have had experiences, in the course of going through my own constituency, which are absolutely heartrending. I know one street of fifty-one houses with an average of a whole family for every room in it. I have gone into houses in which, going up the stairs, one is afraid that one would put one's foot through the wood—through the actual staircase—so absolutely rotten is the fabric. There I have found in one room a husband, wife, and five children. On the same landing, in the only other room on that landing, I have found the father of a family, an elderly man, and his wife, and a married daughter and her child living in one room, in which they have to do all their cooking and all their washing. They are living under conditions in which morality itself would appear to be almost impossible, and yet—and, to my mind, that is the most dreadful feature of the case—these people who exist in this condition are decent people—they are respectable people—and I have actually had people living like this come to me and beg me not to tell of the conditions under which they live, because they are ashamed of it themselves, and yet these conditions are absolutely inflicted upon them against their will, and without any remedy being possible by their exertions or the exertions of any one else, excepting the exertions of this House."

On the same occasion, Mr. Flynn, M.P. for Cork, North, stated:—

"If there is one thing more than another which has tended to keep many of the towns of Ireland in that backward, wretched, and dirty condition which so unfavourably impresses visitors and every traveller through it, it is the system of ground landlordism

Mr. Walker's third and last point of attack is ingeniously chosen. George states: "Irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent," and "the necessary result of material progress, land being private property, is, no matter what the increase of population, to force labourers to wages which give but a bare living."

These and similar expressions of the same idea are selected by Mr. Walker as the central point of the Single Tax doctrine; this he declares to be "Mr. George's main proposition, the proposition to which the others are subsidiary." The acumen with which Mr. Walker has selected the most debatable point in *Progress and Poverty* is admirable, but even if he had succeeded in disproving it, the main part of the Single Tax doctrine would remain unaffected. For were it shown, as Mr. Walker endeavours to show, that rent does not increase through progress in methods of production *when population remains stationary*; that under these conditions wages may rise permanently in spite of private ownership of land, the question would still be, Can a permanent rise in wages take place through improvements in productive methods, when population does not remain stationary, when it is increasing in numbers? This is the actual condition accompanying progress in

which enables one landlord to hold the land of an entire town in his grasp, and to refuse to part with it for building purposes except on the payment of enormous fines. There is no escape, under such circumstances, from increased rents when the leases fall in. There is nothing more depressing than to drive into an average Irish town and see the tottering cabins, on which no sane man would think of laying money out, because of the precariousness of the tenure, and the certainty that improvement would result in profit, not to the man who made the improvement, but to the ground landlord."

Mr. Asquith, M.P., confirmed these statements, as follows:—

"Take any of our great towns where the ownership of the soil is, as is very often the case, in the hands of the single individual. What is the case there? In the first place, the owner may capriciously, or from a mistaken sense of his own interest, or a thousand and one other motives, refuse to allow the use of his land for building and other purposes—land which is absolutely necessary for the due development of the community; and he may hold back that land from the market in the hope that at some distant date he would obtain for it an increased value. In the meantime there is no power vested in the community to obtain the land, which is so essential to its life and health; and while that land is lying idle it does not contribute, under our law, a single penny to defray the growing expenses of the community. Is that an exaggerated description of the existing state of things? That it is possible under an existing law nobody disputes; it appears in case after case, town after town, and is within the experience of hundreds of honourable Members of this House."

production; and if private rent, under these conditions, deprives the masses of the people of all participation in industrial progress, of any share in the increased produce of their labour, or if it deprives them only of a large share, justice and humanity alike demand the abolition of the private possession of rent.

Granted, therefore, that it were proved that George somewhat exaggerated the facts of the case, his main proposition would remain unaffected. Let us now see in how far Mr. Walker succeeds in establishing such exaggeration. He endeavours to do so by two methods: first, by citing "plain facts of common observation, and by unimpeachable testimony of industrial statistics"; second, by "the reason of the case."

Under the first head he cites statistics of wages of agricultural labour in England to show that "the labourer has gained in wages through the labour-saving inventions and improvements of modern times," and quotes from Professor Émile de Laveleye to show that profits and interest have increased more than rent.

First as to wages. The Single Tax doctrine does not involve the proposition, and George does not allege that wages may not rise for a time under the impetus of a continuous progress in production, especially when accompanied by a large exodus of population, such as has taken place during the time adduced by Mr. Walker, *i.e.* between 1770 and 1870 in England. The question is, How long could labour retain any portion of the result of an improvement in production when all land is private property? Mr. Walker himself, as will presently be shown in full, states that "economic rent tends to increase with the growth of wealth and population." Improved methods of production invariably result in increase of wealth, therefore, as Mr. Walker admits, in increase of rent. Rent, however, increases slowly through competition. Where, therefore, progress in productive methods is continuous, as it has been in Great Britain during the last century; where, at the same time, a large continent, not yet appropriated, diminishes the local competition for land by withdrawing millions of workers from the labour market, rent advances

at a slower rate than productive power, and a margin always remains which can be divided between labour and its employers. But should such progress come to an end, or should it materially slacken, rent will inevitably overtake the increased productive power and wages and profit must fall again—all the quicker if no more free land fit for settlement by labourers were available.

In setting forth the reasons which explain the increase of wages in Great Britain in conformity with the Single Tax doctrine, no notice has been taken of those legislative enactments which, like the abolition of the Corn Laws and of protective legislation generally, have largely reduced the exactions of monopoly. Yet that they have materially assisted in increasing the amount of wealth for which British labour exchanges at the present time would not have been denied by Mr. Walker.

The second point, that regarding capital, is made in the following quotation from Professor Émile de Laveleye :—

"Who occupy the pretty houses and villas which are springing up in every direction in all prosperous towns? Certainly more than two-thirds of these are fresh capitalists. The value of capital engaged in industrial enterprise exceeds that of land itself, and its power of accumulation is far greater than that of ground rents. *The immense fortunes amassed so rapidly in the United States, like those of Mr. Gould and Mr. Vanderbilt, were the results of railway speculation and not of the greater value of land.*

"We see, then, that the increase of profits and of interest takes a much larger proportion of the total value of labour, and is a more general and powerful cause of inequality than the increase of rent." [1]

Apart from the question whether profit and interest could be as high as they are in the absence of the opportunity of investing in monopolies, it is clear that the same considerations which account for the temporary increase of wages also account for the temporary increase of capitalist earnings. But there arises here the question, What is

[1] *Land and its Rent*, p. 169. (The italics are mine.)

capital? De Laveleye, and with him Mr. Walker, have evidently mistaken land and monopoly values, and the opportunity for speculation which these afford for capital, as the italicised portions of the preceding quotation proves. They have, similarly, overlooked the patent fact that while many of the owners of "the pretty houses and villas" may have rendered services equal in value to the wealth obtained by them, which landowners do not, the rest, perhaps the majority, may own their wealth by virtue of monopoly-rights, either through increase in the rental-value of urban land, or through speculation in mines, railways, gas and water shares, and similar privileges connected with land. In any case, the misconception, made patent in the above quotation, as to what constitutes capital, deprives the demonstration of any argumentative value.

Let us now turn to the reasons of the case as stated by Mr. Walker: "It is not only true that an increased production of wealth *may* involve an enhanced demand for labour as well as for land, but it is also incontestably true that the increased production of wealth rarely if ever causes an increased demand for land without a corresponding demand for labour; while, on the contrary, an increased production of wealth may cause an enormous increase in the demand for labour without enhancing the demand for the products of the soil in any degree whatsoever.

"Here is a pound of raw cotton, the production of which makes a certain demand or drain upon the land. To that cotton may be applied the labour of an operative for half an hour, worth, say, 5 cents. Successive demands for the production of wealth may lead to the application of, first a full hour's labour, then of two hours, then of three, four, or five; finer and finer fabrics being successfully produced, until at last the pound of cotton has been wrought into the most exquisite articles. Mr. George says that the whole effect of any increase of wealth is to enhance the demand for land. Here is a large increase in production—twofold, threefold, tenfold, perhaps, with no additional demand or drain upon the soil.

"But I go further, and assert, without fear of contra-

diction . . . that the enhancement in the demand for land, in the progress of society, habitually falls short of the enhancement of the demand for labour, the increase of production taking two great forms—one which involves no increase whatever in the materials derived from the soil; the other in which the increased demand for land falls short, generally far short, of the increased demand for labour."

As an example of the first kind, Mr. Walker again adduces that of the cotton increased in value by successive doses of labour, and several others of the same kind. No example is given to sustain the second statement.

Let us rest here and see what all this comes to. The question is whether, "irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent," and it is agreed that if improvements in methods of production do not add to the demand for land, no such increase of rent can take place. Mr. Walker, however, has again misunderstood the problem. Not "increase in the production of wealth" is in question, but improvements in methods of production, *i.e.* improvements which enable the same labour to produce more wealth or which enable the same amount of wealth to be produced with less labour. The facts on which he relies, therefore, are not to the point; nay, they do not even show that a greater production of wealth has taken place. For obviously, had the same labour been devoted to the production of a greater quantity of cotton goods of inferior quality instead of making a smaller quantity of superior quality, the production of wealth might have been the same or greater. What he has shown, therefore, is that labour may be directed to produce the same amount of wealth from a smaller quantity of raw material, thus reducing the demand for land and for labour in the cultivation of land. That has not been disputed, nor is such a change in the direction of labour an "improvement in the methods of production." Cotton has been worked up to the finest cloth; wood has been converted into highly-priced furniture; Lucullian dinners have been prepared from a time beyond the

memory of man. What is meant by "improvements in methods of production" is not in dispute. They consist of those inventions and discoveries which increase the productive power of labour, either in enabling the same labour to produce more raw material or to convert more raw material into finished products, or, to a much lesser extent, which lessen waste in the use of raw material. Let us stick to cotton. Have improvements in the methods of producing cotton goods added to the demand for land; or, the population not having increased, would these improvements have increased the demand for land and labour?

The invention of the spinning-jenny, the spinning-mule, the power-loom, the cotton-gin, and the steam-engine are the classical examples of "improvements in methods" of producing cotton goods. They enable the same number of labourers to work up a vastly increased amount of raw cotton, or the same amount of raw cotton to be worked up by a fraction of the labourers previously required. What follows on the supposition that population remained stationary? An increased demand for land to grow cotton upon; an increased demand for coal and iron land to manufacture machines. But no increased demand for labour need have arisen; some of the labourers who could be dispensed with in the manufacture of cotton may have been employed in growing more cotton, raising coal and ore, and manufacturing machines. If it is supposed that some of the population were previously unemployed or only partly employed, more labour may have been employed, but only on condition of using still more cotton and mining land.

Nor is this all. The inventions spoken of have two further influences. They concentrate manufactures and increase exchanges—both exchanges of intermediate and of consumption-goods. Hence arises a demand, or a greater demand, for land on which manufacturing and exchanging can be conducted most profitably. While the greater demand for raw material, cotton, coal, and ore lowers the base of production, this greater demand for manufacturing and exchanging land raises the apex of production. Rent,

therefore, increases not only under the stimulus of one cause, but under that of two causes.

Let us now introduce the third condition, that all the land is privately owned, and in order to place Mr. Walker in the most favourable position, let us assume that, though all the land is owned, it is not all used. Let us suppose that the least productive cotton land and the least productive mines known to exist were not previously wanted for the needs of the population. There now arises a demand for them because labour is made more productive even in the production of raw cotton and minerals, for these will now exchange, quantity for quantity, for more cotton goods. Will the owners allow of the use of this land so far idle? If they do not, numbers of labourers, made superfluous by the "improvements in methods" of producing cotton goods, must remain idle. On the other hand, if they are allowed to go to work, they will produce more goods—in the shape of cotton goods—even from this inferior land than they previously could have done from the land next superior in grade. The owners of the land, on the other hand, will receive more cotton goods in wages, profits, or rents than they previously did, even if they continue to keep this land idle. They, therefore, are in a better position for bargaining, while labour is in a worse position. Hence, inevitably, rent will be demanded even for the worst land; rack-renting will ensue, and labour will be deprived of any advantage resulting from "improvements in methods of production."

Not only, therefore, is Mr. Walker wrong, but he is ludicrously wrong in the assertion, though he makes it "without fear of contradiction," that "the enhancement of the demand for land in the progress of society habitually falls short of the enhancement of the demand for labour." If he were right, progress in methods of production, far from saving human exertion, would increase human exertion, *i.e.* would not be progress but retrogression. He is likewise wrong, and absolutely wrong, in the assertion that, given private ownership of all land, improvements in manufacturing methods do not increase rent and do permanently increase wages when the population is stationary.

Moreover, this error is fully admitted by Mr. Walker himself in his very next indictment of George's teaching, for he there admits that "improvements and inventions . . . which affect manufacturing industry . . . tend to enhance the demand for land, and thus to raise rents," the very point which he previously denied.

"We have now only to show . . . that instead of all improvements and inventions increasing the demand for land, as Mr. George declares, some very extensive classes of improvements and inventions actually operate powerfully, directly, and exclusively in reducing the demand for land,—we have, I say, only to show this to convict this would-be apostle of a new political economy and a regenerated humanity of the grossest incompetence for economic reasoning."[1]

Strong words these and uncharitable, even if George had been guilty of a serious error. Though Mr. Walker has been convicted here of some serious errors and misconceptions and of one absolute self-contradiction, we would be sorry to apply such terms to him. To err is human, even in economics. The father of the science, Adam Smith himself, has been guilty of some strange errors without thereby having incurred the reproach of "the grossest incompetence for economic reasoning" even from such an infallible authority as Mr. Walker. But to continue the quotation :—

"By far the larger proportion of all improvements fall naturally under three great classes : first, those which affect manufacturing industry ; second, those which affect transportation ; third, those which affect the cultivation of the soil.

"Of these three classes it has always been admitted by economists that the first tends to enhance the demand for land, and thus to raise rents, although not necessarily or indeed usually without also enhancing the demand for labour and capital, and thus raising wages and interest. The two remaining classes of improvements tend directly, and indeed operate exclusively, to reduce the demand for land, leaving thus the whole advantage of such improve-

[1] *Land and its Rent*, pp. 174, 175.

ments and inventions to be acquired by either labour or capital, or in one proportion or another by both labour and capital in enhanced wages and interest.

"And first of improvements in transportation . . . Is it the effect of improvements of this class to enhance rents? Absolutely and exclusively the reverse. Whatever quickens and cheapens transports acts directly in the reduction of rents, and cannot act in any other way, since it throws out of cultivation the poorer lands previously in use for the supply of the market, enabling the better soils at a distance to take their place, thus raising the lower limit, or, as it is called, the 'margin' of cultivation, and thus reducing rents."

This exposition overlooks some very evident facts. It overlooks that improvements which cheapen transportation set free a considerable body of men previously employed in inferior methods of transportation; that they cheapen transport, not merely for new land, but also for much of the land previously cultivated; and that a stationary population may and will increase its consumption of wheat or other agricultural products if their price falls. It follows that cheapening of transport which enables distant and new lands to be cultivated need not throw out of cultivation nearer lands. Take the following case:—

Before the improvement took place, the wheat supply of the world was derived from equal areas of land yielding the following units of value to the same expenditure of labour and capital:—

A	B	C	D	E	F	G	H	I
100	80	70	60	50	40	30	20	10

Owing to the reduced cost of transport, new land, previously unprofitable, can be profitably cultivated, yielding 20 and 10 units gross, say K and L, and each of these areas is as large as any of the others. Let us also assume that the older lands benefit by the cheapening of transport as follows:—

A	B	C	D	E	F	G	H	I
10	5	10	—	—	5	10	10	10 units

Remembering that one of the elements of the problem

is that all land is privately owned, and that therefore none can be obtained for use without the payment of some rent, the rent of land before the adoption of the improvement would have been—

A	B	C	D	E	F	G	H	I	
93	73	63	53	43	33	23	13	3	units

or 397 units in all. After the adoption of the improvement, and if no change in the price of wheat had taken place, rent would have been—

A	B	C	D	E	F	G	H	I	K	L	
103	78	73	53	43	38	33	23	13	13	3	units

or 473 units in all. As, however, the increase in the world's supply of wheat equalled $6\frac{1}{2}$ per cent, it is not unreasonable to assume that the price of wheat must fall 5 per cent to enable this addition to be consumed. The new rent, therefore, must be reduced to the same extent, *i.e.* to 450 units. Nevertheless, the increase of agricultural rent, owing to this improvement, is not less than 53 units, or over 13 per cent. Nor is this all the increase. Mr. Walker has further forgotten that improvements in methods of transportation increase, and largely increase, the value of urban land by aggregation of population and concentration of trade. And further, has the building of railways no influence in creating a value in the right-of-way? Are not wharves and land surrounding wharves made more valuable by improvements in shipping? All these facts are too obvious to need proof.

It is, however, far different with labour and capital. Before the improvement was adopted they retained 7 units of value; thereafter they still retain 7 units of value, but units the value of which is reduced by 5 per cent. Hence the reward of labour and capital in wheat-growing has been reduced by the adoption of the same improvement which largely increases rent.

Professor Walker, therefore, overlooked the essential facts of the case when he so positively asserted that improvements in transportation "absolutely and exclusively . . . act directly to the reduction of rents, and cannot act

in any other way." On the contrary, they act, and invariably act, to the increase of rent, and may also reduce the reward of labour and capital even in a stationary population.

Taking now the case of agricultural improvements, the facts on the whole are no more favourable to Mr. Walker's contention. Quoting Mill, he shows: "Such improvements are of two kinds, one consisting of those which do not increase the produce, but diminish the labour and expense by which that produce is obtained, such as the improved construction of tools or the introduction of new instruments which spare manual labour, like the winnowing and threshing machines; the other class consisting of those improvements which enable the land to yield a greater absolute produce without an equivalent increase of labour, such as the disuse of fallows by means of the rotation of crops. . . . By the former of the two kinds of improvement, rent would be diminished; by the second it would be diminished still more."

The following is Mr. Mill's demonstration of these propositions:—

"Suppose that the demand for food requires the cultivation of three qualities of land yielding on an equal surface and at an equal expense 100, 80, and 60 bushels of wheat. The price of wheat will on the average be just sufficient to enable the third quality to be cultivated with the ordinary profit. The first quality, therefore, will yield 40 and the second 20 bushels of extra profit, constituting the rent of the landlord.

"At first let an improvement be made which, without enabling more corn to be grown, enables the same corn to be grown with one-fourth less labour. The price of wheat will fall one-fourth, and 80 bushels will be sold for the price for which 60 were sold before. But the produce of the land which produces 60 bushels is still required, and the expenses being as much reduced as the price, the land can still be cultivated with the ordinary profit. The first and second qualities will therefore still continue to yield a surplus of 40 and 20 bushels, and corn rent will remain the same as before. But corn having fallen in

price one-fourth, the same corn rent is equivalent to a fourth less of money and of all other commodities." [1]

This demonstration is made valueless by three assumptions, one explicit, the others tacit, all of which are utterly unwarranted. The first is the assertion that the price of wheat will fall because the cost of its production has fallen, though no more wheat is going to be produced. This assertion is not only contrary to common sense, to all modern theories of value, but also to the theory of value entertained by Professor Walker, the sponsor of this assertion himself.[2]

The erroneous tacit assumptions are that the consumption of wheat will not increase in a stationary population when the price is reduced by 25 per cent, and that the labourers who have been dismissed—one-fourth of the whole—will thenceforth lead a life of absolute idleness. That both these assumptions are wrong needs no proof, for it at least cannot be denied that consumption may increase and that some or all these labourers may want to work and may find work.

The real facts, therefore, are as follows :—

The first effect of the improvement is to largely increase the profit on wheat-growing, while throwing one-fourth of the labourers out of employment. The labourers, so displaced, will seek employment, and will find it readiest in growing wheat on land next lowest in productivity, which, to adhere to Mill's scale, will yield 40 bushels. If this land is privately owned, one of the conditions of the problem, they will have to pay rent for its use. Say they pay only 5 bushels in rent, and that the same rent was paid for the 60-bushel land prior to the introduction of the improvement. Rent which previously stood at 45, 25, and 5 bushels respectively for the three classes of land in use now stands at 65, 45, 25, and 5 bushels for the four classes of land in use. The increased production, increased

[1] *Land and its Rent*, pp. 178, 179.

[2] "If . . . the market value is above the cost of production, some, perhaps all, who have been producing this article will produce more of it, perhaps much more of it. It is even possible that some persons who have not been previously engaged in producing this article may now undertake to do so. The supply being by these means increased, market value will turn downwards toward or to the normal value."—Walker, *First Lessons in Political Economy*, p. 76.

by $16\frac{2}{3}$ per cent, now tends to reduce prices. Say, with Mill, the reduction in price amounts to 25 per cent. As the earnings of all labour and capital employed in growing wheat cannot be higher than the earnings of labour and capital at the margin, the incomes of all wheat-growers are now lowered by far more than 25 per cent, *i.e.* they retain wheat about 15 per cent less in quantity, and 25 per cent less in value. Rent, however, is largely increased. From a production of 100, 80, and 60 = 240 bushels, rent took 45, 25, and 5 = 75 bushels, or $31\frac{1}{4}$ per cent; from a production of 100, 80, 60, and 40 = 280 bushels, it takes 65, 45, 25, and 5 = 140 bushels, or 50 per cent. Suppose the price of wheat has fallen from 4s. to 3s. on account of the increased production. Rent, which before the improvement stood at 75 × 4s. or 300s. in all after its introduction, stands at 140 × 3s. or 420s. That is, rent has been increased nearly 50 per cent in value, and wages and interest have been reduced largely by an agricultural improvement, which, in a stationary population, increases the productive power of labour by one-fourth.

This is the extreme case which might happen, and which must happen, unless the greater number of the displaced labourers can find more profitable employment in other occupations than that of growing wheat now affords. If they do, some others will nevertheless produce wheat on 40-bushel land, partly because this is handiest, partly because the withdrawal of the former raises profit and wages again. The output being increased to a small extent only, prices also will fall only to a small extent. Hence the increase in agricultural rent is still larger than under the former supposition, though the fall in profits and wages is less, and there is also an increase in the rent of other land, that on which the majority of the displaced labourers are employed. Obviously, therefore, both Mill and Mr. Walker are wrong when they assert that the sole and inevitable result of such improvements is to reduce rents and to increase wages and interest. The opposite is the case.

Let us now follow the effects of improvements in agriculture which increase the produce without an equivalent

increase in labour, "such as the disuse of fallows by means of the rotation of crops," and let us do so again at the hand of Mill's example. Say, the same amount of produce can now be grown on land previously equivalent to three-fourths of the produce. Mill shows that all the wheat so far demanded can now be grown on land which previously yielded 100 and 80 bushels; that the 60-bushel land will be abandoned; that the land retained will now yield $133\frac{1}{3}$ and $106\frac{2}{3}$ bushels respectively; that wheat will fall in price in the ratio of 60 to $106\frac{2}{3}$; and that, in addition to the loss hence arising, the landlord loses $33\frac{1}{3}$ bushels out of the 60 bushels which he previously received as rent.

This demonstration suffers from the same defects as the former one, *i.e.* from the assumption that wheat will fall in price when the cost of production has been lowered, though no greater quantity is going to be produced, and that the labourers thrown out of work will remain idle or disappear from the earth. It suffers from the further defect of assuming that the cost of production has been reduced in the ratio of the increased yield. For it is clear that rotation of crops demands more labour to be expended on the same land than fallowing. Some of the labour previously employed on 60-bushel land is saved, but not all such labour.

The rest will continue to be employed on what was 60-bushel land, which will now yield 90 bushels, and the price of wheat will fall owing to this greater production. Say the production is increased by 10 per cent, and that the price of wheat falls 10 per cent. The facts then are: Out of a production of 240 bushels worth 4s. a bushel rent amounted to 75 bushels worth 300s. After the improvement is adopted the production amounts to 262 bushels worth $3\frac{6}{10}$ shillings, out of which rent still amounts to 75 bushels worth 270s.

The effect of this improvement, therefore, is to reduce rent by 10 per cent, and to increase the return to labour and capital by more than the corresponding amount. Mr. Walker, therefore, was justified in the statement that some agricultural improvements reduce rent, *i.e.* those which

result in an increased yield without an equivalent increase in labour, and which are applicable to all land.

This latter qualification, however, again has been overlooked by him. For on his own theory, if such improvement, say the introduction of a new and valuable plant, is not applicable to all land, as it generally is not, but applicable to some land only, it will obviously increase the rent of such land without adding to the earnings of labour and capital, just as the discovery of a rich mineral deposit has these results.

The elaborate investigation here made, therefore, leads to these results. Given a stationary population and private ownership of all land, improvements in manufacturing methods do not, in the long-run, increase the earnings of labour and capital, but are absorbed by rent; improvements in methods of transportation inevitably increase rents, and may, to some extent, even reduce the earnings of labour and capital. Of improvements in agriculture, one kind, *i.e.* that of appliances, increases rents while reducing the earnings of labour and capital; another, *i.e.* that of methods applicable to some land only, increases rents without affecting the earnings of labour and capital; and a third, a very rare one, *i.e.* that of methods applicable to all land, reduces rents slightly and increases the earnings of labour and capital.

While George, therefore, was to some small extent in error when he alleged that, "irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent," inasmuch as there is one rare class of improvements which fails to do so in the long-run, Mr. Walker's absolute denial of this generally true fact was a far greater error.

Not only would he have failed to materially weaken the Single Tax doctrine had he succeeded in his attack upon George's exposition of it; not only has he failed in this attack, but he himself furnishes valuable testimony to the truth of the doctrine which he assails.

Arguing against Bastiat's theory that rent is a return for service rendered by the landowner, Mr. Walker makes the following statement :—

"A highwayman points a pistol at my head, but offers to spare me if I shall give him 500 dollars, which I proceed to do with the greatest alacrity. In sparing my life he renders me the highest possible service. . . . Still the question will arise, How came the highwayman to be in a position to do me such a vital service, and after all, what right has he to what was my 500 dollars?

"In like manner, while the owner of land who at a certain rent leases to me a few acres on which I may work to raise food for myself and family, undoubtedly does me a great service as compared with not giving me leave to cultivate it upon any terms whatever, it will still be rational and pertinent for me to inquire, at least under my breath, what business he has with the land more than I or any one else."[1]

"The view of nearly all publicists, founded on the current economic doctrine, (is) that private property in land is a privilege conferring unearned advantages upon individuals only to be justified by the public benefits resulting from the private cultivation and improvement of the soil."[2]

And further:—

"In the first place, looking to what are called rights of property, it is admitted by all sound writers on public policy that property in land differs markedly and materially from property in capital or in the products of labour. If both species of property are 'sacred,' to use a familiar phrase, landed property by almost universal consent stands lower, much lower, in the hierarchy than property in capital."[3]

Equally explicit is the following statement taken from a later work:—

"It certainly is true, as claimed by the advocates of this policy, that any increase in the rental value or selling value of land (aside from investments of capital already spoken of) is due not to the exertions and sacrifices of the owners of the land, but to the exertions and sacrifices of the community. It is certainly true, as claimed by the advocates of land nationalisation, that economic rent tends to increase with the growth of wealth and population, and that thus a larger

[1] *First Lessons in Political Economy*, p. 63. [2] *Ibid.* p. 66. [3] *Ibid.* p. 198.

and still larger share of the product of industry tends to pass into the hands of the owners of land, not because they have done more for society, but because society has a greater need of that which they control." [1]

Holding these views, it may well be asked, Why does Professor Walker defend private ownership of land; what are the advantages to the community arising from this system which, in his opinion, compensate, and more than compensate, for its admitted injustice? *Land and its Rent*, though it does not fail to indicate Mr. Walker's answer to this question, does not contain as explicit an exposition of it as a subsequent work which, written to instruct the youthful mind, is far more outspoken. It states:—

"1st. When one considers how much evil results from the comparatively small operations of existing governments which have to do with only a few of the concerns of a people, he cannot but be shocked and revolted at the thought of governments which should own the soil of every farm within their respective territories, which should own the road-bed of every railway and the ground upon which every man's house, shop, or store was built. The periodical leasing and re-leasing of all these properties, the fixing of their respective rentals, the estimation of improvements made by outgoing tenants would necessarily so increase the work of government, would involve such an army of officials, and would afford such enormous opportunities for corruption and favouritism as to threaten the very existence of human society.

"2nd. Perhaps an even stronger objection to the common ownership of land is found in the liability to abuse of the soil, whenever it is cultivated by those who are not directly and deeply interested in preserving its fertility. It is always possible so to abuse the land as, within a short term of years, nearly or wholly to destroy its value. Many of the once fairest tracts on earth which formerly supported large populations in abundance are now little better than sterile deserts, all through man's reckless or wanton treatment of nature.

"Now were the owner of all the land to be the State,

[1] F. A. Walker, *First Lessons in Political Economy*, p. 209.

who can believe that the Government would be able to protect its landed property, spread over thousands, or hundreds of thousands, of square miles, from the most monstrous abuse—abuse that might, in no long time, permanently impair and even destroy much of that property? A single generation of abusive cultivation might cost a nation far more than the value of all the rents that would be reaped by the landlord class under the system of private ownership to the end of time.

"It is the force of considerations like the foregoing which causes nearly all men who have wide knowledge of public affairs, and who are well read in human history, to accept the system of private ownership of land as inexpressibly superior to collective ownership. Fully as they may recognise the injustice of the social arrangements by which economic rent goes to private individuals, and increases not according to the needs the exertions and sacrifices of those individuals, but according to the needs the exertions and the sacrifices of the community, they yet see no escape from this result, except in a system which would turn government into an intolerable despotism, and would, at the same time, put in peril the permanent productiveness of the soil." [1]

In a footnote to p. 214, Mr. Walker admits that the second objection, liability to abuse of the soil, does not apply "with equal force, if at all," to "building lots" and "urban real estate," but alleges that the first, the political objection, "remains in full force in this case."

The foregoing being the only considerations which Professor Walker adduces in condonation of the injustice of allotting economic rent to private persons, it follows that if this injustice can be removed without inducing the evils predicted, the maintenance of the injustice is an act of wanton violence. That the Single Tax system will abolish the injustice of private rent without adding to, nay, while largely reducing, the functions and powers of governments, has already been proved.[2] There remains to be proved that it will not add to any tendency towards

[1] F. A. Walker, *First Lessons in Political Economy*, pp. 212-214.
[2] See Part V. chap. v.

the exhaustion of land which may exist under the system of private ownership.

Private ownership has not always prevented and does not everywhere prevent the exhaustive cultivation of the soil. The countries to which Mr. Walker alludes as being now little better than sterile deserts while formerly they supported a large population in plenty, Northern Africa, Southern Greece, and others, were reduced to sterility under the system of private ownership. The same process under the same system has converted large areas of the Southern States of the Union into an infertile wilderness. Similarly, the Eastern States of the Union have been, and many other States, as well as much of the land of Australia, are now being cultivated in a manner which largely reduces their fertility. Neither private ownership nor any other tenure can prevent the exhaustion of the soil where large areas of cheap land are cultivated by a scanty population, because, in these circumstances, it pays better to exhaust the fertility of the land than to preserve it.

Where, however, owing to increase of population, a more intense system of cultivation prevails, it pays better to maintain the fertility of the soil than to exhaust it—on one condition, *i.e.* that the user of the soil is the owner of the improvements on the soil and has a permanent tenure. If the land is let on short leases, and the buildings and other improvements belong to the landlord, the tenant may benefit himself by exhausting the land even in closely settled countries. But when the user owns improvements of considerable value, such as are indispensable for intense culture, the destruction of the fertility of the soil would make these improvements valueless. He, therefore, could not benefit but only injure himself by exhaustive cultivation. These, then, are the facts. Where extensive culture prevails, as it does in all newly settled countries, the Single Tax system cannot add to the tendency towards the exhaustive use of the soil; where intense culture prevails, as it does in all the older countries and in the older parts of newly settled countries, the Single Tax system, by giving permanency

of occupation and ownership of improvements to the user, would absolutely eradicate the tendency towards an exhaustive cultivation of the soil which private ownership has failed to abolish.

As neither of the evils which are adduced as alternatives to the injustice of private possession of rent can or will arise under the Single Tax system, there can be no legitimate reason for the opposition to that system which the followers of Professor F. A. Walker still maintain.

CHAPTER VIII

CONFIRMATION BY SOCIALISTS

THIS demonstration of the sufficiency of the Single Tax system to secure social justice and raise the masses of mankind to a higher plane would be incomplete without the inclusion of affirmative declarations by leading socialist writers. This, the final chapter, therefore, will be devoted to the demonstration that socialists also, at least occasionally, trace to private ownership of land the subjection of labour which they generally attribute to the independent action of private capital ; and that they also admit the impotence of capital against labour in the absence of land monopoly.

Karl Marx devotes the final chapter of *Capital* to an exposition of *The Modern Theory of Colonisation* as propounded by that observant economist and cold-blooded Philistine, E. G. Wakefield, between the years 1833 and 1835. Marx's comments clearly prove that he fully agrees with Wakefield in the latter's exposition of the cause of the absence of capitalistic oppression, the independence and prosperity of labour, and the comparative homogeneity of the people of the Australian colonies and the United States at the time, "none being poor and none very rich" ; and also, that he admits the efficiency of the measures proposed by Wakefield to alter these features of colonial life, and subject the people to capitalistic domination.

The following extracts will show this in detail : [1]—

"It is the great merit of E. G. Wakefield to have discovered, not anything new about the colonies, but to

[1] *Capital*, pp. 791-800.

have discovered in the colonies the truth as to the conditions of capitalist production in the mother-country. As the system of protection at its origin attempted to manufacture capitalists artificially in the mother-country, so Wakefield's colonisation theory . . . attempted to effect the manufacture of wage-workers in the colonies. . . .

"First of all, Wakefield discovered that in the colonies property in money, means of subsistence, machines, and other means of production, do not as yet stamp a man as a capitalist if there be wanting the correlative—the wage-worker, the other man who is compelled to sell himself of his own free-will. He discovered that capital is not a thing, but a social relation between persons, established by the instrumentality of things. Mr. Peel, he moans, took with him from England to Swan River, West Australia, means of subsistence and of production to the amount of £50,000. Mr. Peel had the foresight to bring with him, besides, 3000 persons of the working class—men, women, and children. Once arrived at his destination, 'Mr. Peel was left without a servant to make his bed or fetch him water from the river.'

"'In the Northern States of the American Union,' says Wakefield, 'it may be doubted whether so many as a tenth of the people would fall under the description of hired labourers. . . . In England . . . the labouring class compose the bulk of the people.' Nay, the impulse to self-expropriation, on the part of labouring humanity, for the glory of capital, exists so little, that slavery, according to Wakefield himself, is the sole natural basis of colonial wealth. . . . 'The first Spanish settlers in San Domingo did not obtain labourers from Spain. But without labourers their capital must have perished, or at least must soon have been diminished to that small amount which each individual could employ with his own hands.' . . . We have seen that the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production. The essence of a free colony, on the contrary, consists in this: that the bulk of the soil is still public property, and every settler on it, therefore, can turn part of it into his private property and

individual means of production without hindering the later settlers in the same operation. This is the secret both of the prosperity of the colonies and of their inveterate vice—opposition to the establishment of capital. 'Where land is very cheap and all men are free, where every one who pleases can easily obtain a piece of land for himself, not only is labour very dear, as respects the labourers' share of the produce, but the difficulty is to obtain combined labour at any price.'" . . .

The sentence in the foregoing quotation, stating that the possession of capital does not stamp a man as a capitalist in the absence of the man who is compelled to sell himself, is seen to be in full agreement with the Single Tax theory when Marx's definition of capital as an instrument of exploitation is remembered. It admits that where labour is independent, where labourers have the opportunity to employ themselves, the private possession of capital confers no power of dominating and exploiting labour. Nor does Marx leave any doubt as to what constitutes "the instrumentality of things" which establishes the "social relation" in which the possession of capital converts a man into a capitalist, *i.e.* confers upon him the power to exploit labour. For he declares that "the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production"; that easy access to land "is the essence of a free colony," is the secret both of the prosperity of the colonies and of their freedom from capitalistic domination. And further, he quotes with approval, "Where land is very cheap and all men are free, where every one who pleases can easily obtain a piece of land for himself, not only is labour very dear, . . . but the difficulty is to obtain combined labour at any price." That is, Marx admits that free access to land, by enabling some labourers to employ themselves, raises the wages of all labour to a high level and substitutes for the existing competition between labourers for employment the competition of capitalists with each other for labourers. And he further admits the contention that, under such conditions, labour having access to land, the position of labour in higgling for its

reward is stronger than that of capitalists, for he again quotes with approval, "Without labourers their capital must have perished, or at least must soon have been diminished to that small amount which each individual could employ with his own hands."

Yet, with the full knowledge of these truths, knowing that capitalistic oppression arises from land monopoly and cannot exist in the absence of land monopoly, Marx and his followers have advocated and still advocate, not merely the abolition of land monopoly, but the abolition of that which they themselves show to be innocuous in the absence of land monopoly—the private ownership of capital.

The following quotation makes these admissions in even a clearer manner :—

"The great beauty of capitalist production consists in this—that it not only constantly reproduces the wage-worker as wage-worker, but produces always, in proportion to the accumulation of capital, a relative surplus population of wage-workers. Thus the law of supply and demand of labour is kept in the right rut, the oscillation of wages is penned within limits satisfactory to capitalist exploitation, and lastly, the social dependence of the labourer on the capitalist, that indispensable requisite, is secured—an unmistakable relation of dependence, which the smug political economist can transmogrify into one of free contract between buyer and seller, between equally independent owners of commodities, the owner of the commodity capital and the owner of the commodity labour. But in the colonies this pretty fancy is torn asunder. The absolute population here increases much more quickly than in the mother-country, because many labourers enter this world as ready-made adults, and yet the labour market is always understocked. The law of supply and demand of labour falls to pieces. The wage-worker of to-day is to-morrow an independent peasant, or artisan, working for himself. He vanishes from the labour market, but not into the workhouse. This constant transformation of the wage-labourers into independent producers, who work for themselves instead of for capital, and enrich themselves instead of the

capitalist gentry, reacts in its turn very perversely on the conditions of the labour market. Not only does the degree of the exploitation of the wage-labourers remain indecently low; the wage-labourer loses into the bargain, along with the relation of dependence, also the sentiment of dependence on the abstemious capitalist. Hence all the inconveniences that our E. G. Wakefield pictures so doughtily, so eloquently, so pathetically.

"The supply of wage-labour, he complains, is neither constant, nor regular, nor sufficient. 'The supply of labour is always, not only small, but uncertain!' 'Though the produce divided between the capitalist and the labourer be large, the labourer takes so great a share that he soon becomes a capitalist. . . . Few even of those whose lives are unusually long can accumulate great masses of wealth.' The labourers most distinctly decline to allow the capitalist to abstain from the payment of the greater part of their labour. It avails him nothing if he is so cunning as to import from Europe, with his own capital, his own wage-workers. They soon 'cease . . . to be labourers for hire; they . . . become independent landowners, if not competitors with their former masters in the labour market.' . . . On account of the high wages, says his disciple Merivale, there is in the colonies 'the urgent desire for cheaper and more subservient labourers —for a class to whom the capitalist might dictate terms, instead of being dictated to by them. . . . In ancient civilised countries the labourer, though free, is by a law of nature dependent upon the capitalists; in colonies this dependence must be created by artificial means.' . . .

"After Wakefield has contrasted the English capitalist agriculture and its 'combined' labour with the scattered cultivation of American peasants, he unwittingly gives us a reverse of the medal. He depicts the mass of the American people as well-to-do, independent, enterprising, and comparatively cultured, whilst 'the English agricultural labourer is a miserable wretch, a pauper. . . . In what country, except North America and some colonies, do the wages of free labour employed in agriculture much exceed the bare subsistence for the labourer?'"

Thus it is admitted that where land is easily accessible to labour the labour market is never overstocked; the passing of some wage-workers from the labour market to the land, reacting upon the labour market, keeps wages high; wage-labourers, having thus ceased to be dependent upon capitalists, lose also the sentiment of dependence; wages are so high that workers soon own capital and great masses of wealth cannot be accumulated.

The following quotation shows the reverse of the medal, *i.e.* how a high price and consequent monopoly of land enslave labour; and how under such conditions a surplus of labour and an artificially enhanced competition of labourers for employment can be created by measures, the failure of which to achieve this object when land is easily accessible has been admitted in the preceding quotation :—

"How then to heal the anti-capitalistic cancer of the colonies? . . . Let the Government put upon the virgin soil an artificial price independent of the law of supply and demand, a price that compels the immigrant to work a long time for wages before he can earn enough money to buy land and turn himself into an independent peasant. The funds resulting from the sale of land at a price relatively prohibitory for the wage-workers, this fund of money extorted from the wages of labour by violation of the sacred law of supply and demand, the Government is to employ, on the other hand, in proportion as it grows, to import have-nothings from Europe into the colonies, and thus keep the wage-labour market full for the capitalists. . . . By this plan, Wakefield cries in triumph, 'the supply of labour *must* be constant and regular, because, first, as no labourer would be able to procure land until he had worked for money, all immigrant labourers, working for a time for wages and in combination, would produce capital for the employment of more labourers; secondly, because every labourer who left off working for wages and became a landowner would, by purchasing land, provide a fund for bringing fresh labour to the colony.' The price of the soil imposed by the State must, of course, be a 'sufficient price,' *i.e.* so

high 'as to prevent the labourers from becoming independent landowners until others had followed to take their place.' This 'sufficient price for the land' is nothing but a euphemistic circumlocution for the ransom which the labourer pays to the capitalist for leave to retire from the wage-labour market to the land.

Marx concludes the chapter from which these quotations have been extracted, and his book, with the following observations :—

"However, we are not concerned with the condition of the colonies. The only thing that interests us is the secret discovered in the New World by the political economy of the Old World, and proclaimed on the housetops, that the capitalist mode of production and accumulation, and therefore capitalist private property, have for their fundamental condition the annihilation of self-earned private property—in other words, the expropriation of the labourer—that is, the exclusion of labour from the land."

Open the land to labour, give to all equal rights and equal access to land, and what Marx terms "the capitalist mode of production," the subjection of labour, is ended, as he himself shows.

Later socialists, no less than Marx himself, occasionally make these admissions, as the following examples prove :—

"On Socialism the analysis of the economic action of Individualism bears as a discovery, in the private appropriation of land, of the source of those unjust privileges against which Socialism is aimed. It is practically a demonstration that public property in land is the basic economic condition of Socialism. . . . The income of a private proprietor" (of land) "can be distinguished by the fact that he obtains it unconditionally and gratuitously. . . . Socialism involves discontinuance of the payment of these incomes, and addition of the wealth so saved to incomes derived from labour. . . . Economic rent, arising as it does from variations of fertility or advantages of situation, must always be held as common or social wealth, and used, as the revenues raised by taxation are now used, for public purposes." [1]

[1] *Fabian Essays*, pp. 26, 27.

The Fabian essayist admits, as Marx admits, that "the private appropriation of land is the source of those unjust privileges against which Socialism is aimed"; explains that the rent of land must be substituted for revenues raised by taxation, as the fund from which public expenditure may be met. This obviously is the Single Tax doctrine. Why, then, insist upon the public ownership and management of capital? If the essayist is right, the latter is the merest surplusage.

"The growth of knowledge of political economy made it constantly more apparent that the Radical ideal of 'equality of opportunity' is absolutely impossible of attainment, even in infinite time, so long as individual ownership of land exists." [1]

"What the achievement of Socialism involves economically, is the transfer of rent from the class which now appropriates it to the whole people. Rent being that part of the produce which is individually unearned, this is the only equitable method of disposing of it. There is no means of getting rid of economic rent. So long as the fertility of land varies from acre to acre, and the number of persons passing by a shop window per hour varies from street to street, with the result that two farmers or two shopkeepers, of exactly equal intelligence and industry, will reap unequal returns from their year's work, so long will it be equitable to take from the richer farmer or shopkeeper the excess over his fellow's gain which he owes to the bounty of Nature or the advantage of situation, and divide that excess or rent equally between the two. If the pair of farms or shops be left in the hands of a private landlord he will take the excess, and instead of dividing it between his two tenants, live on it himself idly at their expense. Socialism is not, of course, to equalise farmers and shopkeepers in couples, but to carry out the principle over the whole community by collecting all rents and throwing them into the national treasury. As the private proprietor has no reason for clinging to his property except the legal power to take rent and spend it on himself —this legal power being, in fact, what constitutes him a

[1] Sidney Webb, *Socialism in England*, p. 20.

proprietor—its abrogation would mean his expropriation. The socialisation of rent would mean the socialisation of the sources of production by the expropriation of the present private proprietors, and the transfer of their property to the entire nation. This transfer, then, is the subject-matter of the transition to Socialism, which began some forty-five years ago, as far as any phase of social evolution can be said to begin at all." [1]

"The theft of the land and its conversion into personal property was the origin of bondage, which has passed through all possible phases from slavery to the 'free' workmen of our day, till at length, after a development covering thousands of years, the land will be reconverted into common property by the bondsmen themselves." [2]

"The whole equivalent of every source of fertility or advantage of all land over and above the worst in economic use, is under free competition necessarily abstracted from the mere worker on it. So long as Lady Matheson can 'own' the island of Lewis, and (as she says) do what she likes with her own—so long as the Earls of Derby can appropriate at their ease the unearned increment of Bootle or Bury—it is the very emphatic teaching of political economy that the earth may be the Lord's, but the fulness thereof must inevitably be the landlord's." [3]

"The phenomenon of economic rent has assumed prodigious proportions in our great cities. The injustice of its private appropriation is glaring, flagrant, almost ridiculous. In the long suburban roads about London, where rows of exactly similar houses stretch for miles countrywards, the rent changes at every few thousand yards by exactly the amount saved or incurred annually in travelling to and from the householders' place of business. The seeker after lodgings, hesitating between Bloomsbury and Tottenham, finds every advantage of situation skimmed off by the landlord with scientific precision. As lease after lease falls in, houses, shops, goodwills of businesses which are the fruits of the labour of lifetimes, fall into the maw of the ground-landlord.

[1] *Fabian Essays*, p. 179. [2] Bebel, *Woman*, p. 200.
[3] S. and B. Webb, *Problems of Modern Industry*, pp. 237, 238.

"Confiscation of capital, spoliation of households, annihilation of incentive, everything that the most ignorant and credulous fund-holder ever charged against the socialist, rages openly in London, which begins to ask itself whether it toils only for the typical duke and his celebrated jockey and his famous racehorse." [1]

The history of government contains few more shameful chapters than that which records how during this period the Legislatures—municipal, State, and national—seconded by the Executive and the Courts, vied with each other, by wholesale grants of land, privileges, franchises, and monopolies of all kinds, in turning over the country, its resources, and its people to the domination of the capitalists, their heirs and assigns for ever. The public lands, which a few decades before had promised a boundless inheritance to future generations, were ceded in vast domains to syndicates and individual capitalists, to be held against the people as the basis of a future territorial aristocracy with tributary populations of peasants. Not only had the material substance of the national patrimony been thus surrendered to a handful of the people, but in the fields of commerce and of industry all the valuable economic opportunities had been secured by franchises to monopolies, precluding future generations from opportunity for livelihood or employment, save as the dependants and liegemen of a hereditary capitalist class. In the chronicles of royal misdoings there have been many dark chapters recording how besotted or imbecile monarchs have sold their people into bondage, and sapped the welfare of their realms to enrich licentious favourites; but the darkest of those chapters is bright beside that which records the sale of the heritage and hopes of the American people to the highest bidder by the so-called democratic State, national and local governments, during the period of which we are speaking." [2]

"Either we must submit for ever to hand over at least one-third of our annual product to those who do us the favour to own our country, without the obligation of

[1] *Fabian Essays*, pp. 188, 189.
[2] Edward Bellamy, *Equality*, pp. 282, 283.

rendering any service to the community, and to see this tribute augment with every advance in our industry and numbers, or else we must take steps, as consistently as may be possible, to put an end to this state of things."[1]

These quotations clearly demonstrate that, from the father of modern Socialism downward, thinking men among the socialists have been unable to close their eyes to the truth that social injustice, the subjection of labour, and the exploitation of labour have as their cause and origin private ownership of land. They admit that were land freely and equally accessible to all, labourers would be free to enjoy the wealth which they make. They, therefore, also admit that capital is powerless for evil in the absence of land monopoly.

Why, then, are they socialists? Why do they insist upon the necessity of measures which they themselves thus declare to be unnecessary, and which, as has been shown here, are fraught with the utmost danger to society? Is it that the Single Tax doctrine is too simple to satisfy for long the craving for extended action which possesses so many men? Can it be that the truth, the light of which occasionally illuminates their thoughts, cannot be retained by minds enamoured of the fascinating occupation of devising vast projects for the regeneration of mankind? Whether this is the true explanation or not, this much is certain, that these socialists themselves bear witness to the sufficiency of the Single Tax system for the attainment of the ultimate objects at which socialists aim, and which Socialism cannot attain.

Social wellbeing is not to be found outside of the happiness of those who constitute society; their happiness cannot be achieved by any one but themselves—by each for himself. All that the State can do is but negative—to prevent any one from invading and curtailing another's happiness, or the opportunity for producing his own happiness, to which he is entitled. Equal rights and equal opportunities, these the State can secure. Beyond this, not only can it do nothing, but every step beyond involves a curtailment of opportunities for the happiness

[1] S. and B. Webb, *Problems of Modern Industry*, p. 240.

of all and an infringement of the equal rights of some. This truth, so clear, so simple, so obvious, must guide all attempts at social reforms. To have overlooked it is the central error of Socialism; the point where its teaching leaves the path which, leading upwards and ever upwards, must ultimately lift mankind to the greatest heights attainable by it; where it enters upon the path which, leading downwards and ever downwards, must deprive mankind of all the progress which it has wrung from the pain and suffering of untold generations.

APPENDICES

TABLE I

ANNUAL RENTAL-VALUE OF LAND IN THE UNITED KINGDOM, 1895-96[1]

1. *Pure Ground Rents*

Manors, tithes, fines, etc.	£668,115	
Markets and tolls	693,973	
Fishing and shooting rights	684,613	
		£2,046,701

2. *Land and Improvements*

Agricultural land	£55,408,065	
Houses and tenements	154,540,293	
Exempted values	668,114	
Mines, canals, waterworks, gas-works, ironworks, etc.	29,174,646	
Railways	36,461,416	
	£276,252,024	
60 per cent thereof pure ground rent		165,751,212

3. *Existing Taxes on Land*

Inhabited house duty	£1,513,434	
Income tax on rent	5,324,208	
Local rates, tolls, and dues[2]	44,954,426	
Tithes[3]	4,054,000	
	£55,846,068	
60 per cent thereof pure land-value		33,507,636
Land tax		916, 445
Total		£202,221,994[4]

[1] Fortieth Report of Commissioners of Inland Revenue.
[2] *Statesman's Year-Book*, 1897. (Amount of 1893-94.)
[3] Shearman, *Natural Taxation*. (Amount of 1885.)
[4] Exclusive of land-values assessed under Schedule B, *i.e.* valuable leases.

TABLE II

REVENUE DERIVED FROM TAXATION IN THE UNITED KINGDOM, 1896[1]

Imperial	
Customs[2]	£20,762,413
Excise	32,293,222
Death duties	13,878,274
Stamps	7,311,446
Income tax	16,901,341
Land tax	916,445
Inhabited house duty	1,513,434
Other sources[3]	321,903
Total	£93,898,478
Local[4]	
Rates	£38,561,440
Tolls and dues	6,392,932
Grand total	£138,852,859

TABLE III

ANNUAL RENTAL-VALUE OF LAND AND REVENUE FROM TAXATION IN THE UNITED STATES, 1890[5]

Real estate taxed as such[6]		$35,711,209,000
Railways		8,685,407,000
Mines and quarries		1,291,291,000
Telegraphs and canals, far more than		312,093,000
		$46,000,000,000
Land-value 60 per cent of this = capital-value =		$27,600,000,000
Rent at 5 per cent on $27,600,000,000 =		$1,380,000,000
Add 45 per cent of local taxes as falling on land-values		211,793,000
Total annual value of land		$1,591,793,000
National expenditure	$357,889,000	
Local taxation	470,652,000	
		828,541,000
Surplus		$763,252,000

[1] Fortieth Report of Commissioners of Inland Revenue.
[2] *Statesman's Year-Book*, 1897. [3] *Ibid.* 1897.
[4] *Ibid.* 1897. (Amount of 1893-94.)
[5] Thomas G. Shearman, *Natural Taxation*, pp. 146, 147.
[6] Real estate worth over $3,800,000,000 is exempt from all taxation.—*Ibid.*

TABLE IV

ANNUAL RENTAL-VALUE OF THE ALIENATED LAND AND REVENUE FROM TAXATION IN THE COLONY OF VICTORIA, 1893

Capital-value of land without improvements[1]		£130,569,620
Capital-value of permanent mines, gasworks, tramways, and other franchises, £25,000,000[2]		
60 per cent thereof land-value		15,000,000
Capital-value of land		£145,569,000
Rent at 4 per cent on £145,569,000	£5,822,760	
60 per cent of local taxation	572,856	
Land tax	119,216	
Total annual value of land		£6,514,832
State revenue from taxation	£2,497,567	
Deficit in State finances	593,432	
Local revenue from taxation	954,768	
Total requirements from taxation		4,045,767
Surplus		£2,469,065

TABLE V

ESTIMATE OF CONTRIBUTION OF CAPITALISTS[3] TO TAXATION IN THE UNITED KINGDOM, 1896[4]

15 per cent of the customs and excise	£7,958,344
Profits of middlemen thereon 33⅓ per cent	2,986,114
Stamp duties other than charged to working classes	6,002,359
15 per cent of income tax on improvements	319,452
50 per cent of income tax (Schedule B)	114,566
100 per cent of income tax (Schedule C)	1,284,008
Income tax (Schedule D), except trades and professions, up to £500	8,369,060
20 per cent of inhabited house duty	227,014
40 per cent of death duties	5,551,308
15 per cent of rates on houses	2,940,504
Total	£35,752,729

[1] Return of Government Statist, laid before Parliament, 1893.
[2] Low estimate.
[3] Landowners and monopoly-owners excluded as far as possible.
[4] Fortieth Report of Commissioners of Inland Revenue.

TABLE VI

ESTIMATE OF CONTRIBUTION OF WORKING POPULATION TO TAXATION IN THE UNITED KINGDOM, 1896[1]

75 per cent of customs and excise	£39,791,727
Profits of middlemen thereon = 33⅓ per cent	13,263,909
75 per cent of income tax on improvements	1,598,460
50 per cent of income tax (Schedule B)	114,566
Income tax on trades and professions up to £500 (Schedule D)	1,570,000
50 per cent of income tax (Schedule E)	635,910
20 per cent of deed stamps	782,756
25 per cent of receipt stamps	326,331
20 per cent of inhabited house duty	227,014
75 per cent of rates on houses, etc.	14,702,544
Total	£73,013,217

APPENDIX VII

THE RAGE FOR AND TREND OF TRUSTS

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"THE daily papers now are burdened with stories about trusts. Hardly an issue appears without accounts of the organisation or prospective organisation of one or more. The air is full of these schemes for consolidating large business competitors. That old business maxim, sound and wholesome, that 'competition is the life of trade,' has been discarded in industrial circles for the theory, for which no maxim has yet gained currency, that consolidation is the condition of success. This theory is the vital principle of trusts.

"The latest mode of trust organisation is a vast improvement upon earlier ones.

"Competitors no longer enter into agreements in restraint of competition. That primitive mode was proved by experience to be altogether incompetent. The agreements were evaded, and sometimes openly violated; and as they fell under the ban of the law, there was no redress in the courts.

"What competitors aiming to organise a trust do now is to form a legal corporation in which all become stockholders, paying for their stock with their respective business plants. Establishments that formerly competed for business thus become part of one great concern under the management and control of one board of directors. If the former owners continue to operate their plants, they do so no longer as

[1] Fortieth Report of Commissioners of Inland Revenue, except Customs and Excise, taken from *Statesman's Year-Book*, 1897.

owners, but as corporation employees. It is the corporation, too, that determines as to each plant whether it shall be operated at all.

"There is no opportunity, therefore, as there was under the primitive mode of making trusts, for any party to the trust to evade his obligations to his confederates. The business is wholly in the hands of a corporation, which has all the legal attributes of a single person; and the trust, instead of being under the ban of the law, operates under its sanctions.

"An effect, and one of the objects, of these combinations is to dispense with many employees, and cut down the wages of others.

"The journeymen mechanics and unskilled labourers may escape. Whether they do or no depends upon whether the trust reduces its production. If it does not, these employees escape; if it does, they are prejudicially affected.

"But whether mechanics and labourers are affected or not, such employees as salesmen, bookkeepers, foremen, clerks, and the like are sure to be injured.

"When many establishments are consolidated, even though as many mechanics and labourers be required as before, they can be governed by fewer foremen, and the output can be disposed of and accounted for by fewer salesmen, bookkeepers, and clerks. The organisation of a trust, therefore, involves the discharge of more or fewer of this class of employees, and that in turn involves the reduction of the wages of those who remain. This has been one of the notable facts in connection with the trust craze. The general public may not be aware of it, but foremen, clerks, bookkeepers, and salesmen are painfully so.

"Another object and effect of trusts is the destruction of competitors who are left out of the combination.

"Since the motive for combining is to kill competition, outsiders must be crushed or the combination fails of its purpose. Many methods of accomplishing this are resorted to. It may be done by selling certain lines of goods for a time at less than cost. The trust can stand that longer than the small competitors, and when they are out of the way can recoup by charging higher prices than ever. Even while a price-war is in progress the trust may charge excessively for goods that are not in the field of competition, while selling below cost those that are in that field. But whatever the method, the object is to crowd out all competition and make the whole field free to the trust.

"Competitive business men are sharply admonished of this by diminishing custom and decreasing profits. Some even of the best of them begin to look forward to retiring from business into high-grade clerkships; and a vast number of them are contemplating the possibility, if they themselves fail to get into a trust, of competing with lower grades of clerks for their already precarious places.

"Whether or not the trust has come to stay is an open question. Trust magnates have no doubt of it. The ordinary business man fears it. The social agitator proclaims it. And only here and there is doubt expressed.

"Most significant, however, of all the opinions yet recorded is that of the banks, which are beginning to look with suspicion upon trust certificates as collateral. In this opinion there is a suggestion of disastrous possibilities which cannot be ignored—a suggestion that derives peculiar force from the fact that the primary consideration with banks in passing loans is the question of safety. It may well be, then, that this making of many trusts is only an evanescent craze, and that the trusts are mere bubbles which must soon burst.

"But any intelligent conclusion as to that point must rest upon an understanding of the differences in trusts. There are trusts and trusts. It cannot, therefore, be predicated of the trust generally that it must either succeed or collapse. Some kinds of trusts may succeed if well managed, while others, no matter how well managed, may be predestined to inevitable collapse. Some analysis, then, of the trust as it confronts us is necessary.

"We can conceive of a trust having for its object and effect economy in production, and neither aiming at anything nor effecting anything beyond that. By consolidating business plants such a trust might lessen the cost of supplying goods to consumers. It would do this in part by reducing the number of managers, clerks, bookkeepers, and so on, necessary to supply a given demand; and in part through those innumerable other economies which, in favourable conditions, flow from operations upon a large scale. That kind of trust would be analogous to labour-saving inventions; indeed, it would be a labour-saving invention itself.

"Familiar examples are offered by the department store, by farming on a large scale, by manufacturing combinations, by any business consolidation, however vast, which is neither directly nor indirectly buttressed by legal privileges.

"Such a trust would, in the absence of legal privileges, be compelled, by fears of starting up competition, if not by competition itself, to give to consumers the benefit of its economies. And though this trust would displace employees and independent employers, just as labour-saving machines do, just as all economies must, there would be nothing to deplore in that, if opportunities to work for others or to do independent business in other and related lines were inviting and insistent, as under free conditions they would be. The displacement then would be a simple and easily adopted change of occupation, not exile from the whole industrial field.

"Trusts of that character are not essentially bad. On the contrary, like labour-saving machines, they are essentially good. If they operate prejudicially in actual practice it is not because they are objectionable in themselves, but because they exist in conditions which operate, in greater or less degree, to bar out from other employments the workers and business men whom they displace.

"There is, however, a class of trusts which are essentially bad. These are the trusts that rest upon or are buttressed by legal privileges.

"The harmful power of a railroad trust is the ownership of great public highways, which it brings under a single control. That is true

also of street-car combinations, of telephone and telegraph monopolies, of gas and electric light and power trusts; in a word, of all consolidations of those business interests that spring out of the law instead of being evolved and regulated by unobstructed competition.

"Mining trusts are in the same category. They are essentially oppressive because they consolidate titles to mining opportunities, and thereby enable the trusts to dictate to all industries that depend upon the mineral riches of the globe. And as with mining trusts, so with all other trusts which, so to speak, have their feet upon the ground.

"Closely akin to highway and landed trusts are the trusts that bring under common ownership important patent rights. By virtue of these parchments those trusts arbitrarily and effectually prohibit the unprivileged, as a distinguished patent law writer puts it, 'from using some of the laws of God,' just as railroad trusts by franchises, and mining trusts by deeds, arbitrarily and effectually prohibit the unprivileged from using some of God's commonwealth.

"All these trusts are in character one. They are founded in legal privileges.

"Subordinate to the privileged trusts are trusts of still another class. These have the characteristics externally of those of the first class described above—those which we have likened to labour-saving machines. They appear to have the benefit of no monopoly whatever, but to be simple unprivileged business combinations. In fact, however, they derive legal privileges at second-hand and secretly from trusts that are founded in privilege.

"Of this type was the Standard Oil Trust at its inception. Under secret agreements with railroads, which enjoyed special highway privileges, the Standard Oil Trust secured rates of transportation so much lower than its competitors were required by the same railroads to pay, that it thereby drove its competitors to the wall. Subsequently, it acquired highway privileges of its own. Other trusts that flourish now doubtless also depend for their power upon discriminating freight rates. The cracker trust is said to be one of them.

"To one or the other of the three classes of trusts mentioned above, all the trusts now organised, or in process or expectation or possibility of being organised, may be assigned. And according to the class into which a trust falls will the probabilities of its success or collapse be determined.

"The weakest of all the trusts are those of the first class, trusts which possess no legal privileges.

"If capitalised at the true value of their plants, and conducted merely with a view to economy and not to keeping prices above the competitive level, they may succeed. The chances of success in such cases, other things remaining the same, are undoubtedly improved by the consolidation.

"But which of those trusts is so organised and so conducted? It is safe to say none. In capitalising, each plant is inventoried at double its value or more; and the consolidated business is conducted with a view to paying good dividends on the stock so watered.

"The trust which does this without the aid of some kind of

monopoly-land, highway, patent, or the like, can no more succeed than a boy can succeed in lifting himself by his shoe-straps; and for like reasons. All such trusts are fated from their inception to perish.

"It is probably true, however, that most trusts of the general character last described are not of that character strictly. Very likely most of them are buttressed either with some special privilege or other of their own, or with contractual interests in the special privileges of other combinations. In that event their success will depend upon the power of the monopoly they so enjoy—to which extent they are in the category of trusts of the second class described above, those founded in legal privilege. As the latter rise or fall, so may the former.

"Trusts founded in legal privilege may be expected to succeed or collapse accordingly as their legal privileges enable them to control the original sources of supply of the goods they handle. Unless they acquire control of these, it is only a matter of time when another trust will. And if another trust does, it will either absorb or crush the first one.

"Steel manufacturing trusts might for a time control the steel market. But let another trust secure the ore mines, and the steel trust would be at its mercy. Manufacturing combinations, however complete, however wealthy, even though buttressed with patents and in combination with railroads, can retain their power only while the owners of the natural sources of their supply are not combined.

"It is a *sine qua non* to success that a trust have its feet upon the earth. This has been discovered by the great trusts. The steel trust goes back to the land, and makes ore mines part of its property. The coal-transporting trust of the anthracite region is careful to secure not only highways, but coal mines. And the trust that does not follow their example is doomed.

"To analyse this subject is to conclude that the rage for forming trusts will react and produce a stupendous crash. Trusts with much watered stock and without much monopoly power will go first to their fate. They will be followed by the monopoly trusts that fail to secure fundamental privileges. In the end no trusts will be left to rule in the economic field but those which have their feet upon the earth. The trust question leads directly to the land question.

"Proceeding from this conclusion, let us first ask ourselves to what extent business can be thus securely monopolised by trusts.

"The control of trusts by trusts—in other words, the merging of many trusts into one trust, much as many kinds of business have been merged each into its appropriate trust—is clearly among the possibilities of trust development. Indeed, such a tendency has already become actually manifest.

"At one time, for example, the West Shore railroad system, which from New York to Albany follows the west bank of the Hudson river, the New York Central system following the east bank, was a competitor of the Central.

"The two systems, each made up of what had been originally independent roads, were in essence, if not in name, two independent trusts. But in time the West Shore system fell under the control of

the same interests that controlled the Central. The Vanderbilts came virtually to own both systems. They operated the systems, however, as independent properties, preserving the form while destroying the substance of competitive operation.

"This was not a difficult thing to do while railroad pooling flourished; but when that was outlawed by the Supreme Court, the Vanderbilts found it necessary, or at least expedient, to abandon even the form of competitive operation. Accordingly, the West Shore system is now operated avowedly as a branch of the Central. The two systems have become one system; the two trusts are consolidated.

"It is rumoured that the Erie system, like the West Shore, is also to become a mere branch of the Central. And shrewd observers confidently predict that in the not distant future all systems east of Chicago will be consolidated into two—the Central and the Pennsylvania. Should that come about, it is easy to foresee that a struggle for supremacy would break out between those two great railroad trusts, and that one of the two would ultimately absorb the other.

"Such a struggle is now in progress between the Metropolitan and the Manhattan street transportation systems in New York. Another has practically ended in the acquisition by one of the Brooklyn systems of the others. And eventually, no doubt, the Brooklyn and the New York systems will all come under one control.

"These are but examples of the tendency toward trusts of trusts. Nor need we look to railroading alone for such examples.

"Telegraphy, telephoning, electric power, and light supply, gasworks, and the like, are all tending to consolidation.

"First there are franchises to different corporations in a community. Then comes consolidation of franchises, until one corporation—essentially a trust—owns them all. That stage is followed by a consolidation of these interests in different communities under a central control—a central trust.

"The best example of this stage of the disease, though it preceded in point of time the stages that are logically first, is the Bell Telephone Company, which is the central trust of all the local telephone trusts in the country.

"Then also as to trusts generally, their evolution is similar.

"Competing establishments in a given line of business consolidate and form a trust. Their object, which may be in part to secure economy in production, is in other, and perhaps greater part, to stop competition, and thus to limit production and increase or maintain prices, while holding wages in check.

"Except as these combinations are buttressed with great legal privileges, they are, as we indicated last week, subject to a constant pressure, tending to produce disintegration. For competition is a vital social principle. Its operation may be obstructed by minor monopolies, but its force cannot be quite neutralised by anything short of perfect and complete monopoly. Consequently, until a trust or a series of trusts secures complete control of all the natural or landed resources which its operations require, it feels the force of competitive influences.

"When one line of business, therefore, consolidates into one trust,

and other more or less related lines consolidate into other trusts, these various trusts are, by the same impulse that prompted them to form original trusts, prompted to form a trust of trusts. They thus consolidate under one control not only all the establishments in each line of business, but all the trusts in the different lines of business that are related, including the trusts that own the natural sources of supply.

"This would make that trust of trusts invincible within its own sphere. Controlling the sources of its raw material, it could control the finished product. To use the expression we adopted last week, its feet would be upon the ground. But though it controlled its raw material, it might still be dependent for subsidiary products. In that case it would come into collision with the trust of trusts that had its feet upon the ground as to those products. Then a struggle would ensue, the result of which would be the consolidation of these trusts of trusts.

"Suppose, for illustration, that the steel manufacturing business were by processes of consolidation brought under the control of a trust which dominated the business, merely as a steel business, from beginning to end—owning everything, from finished product back to ore mines. That trust of trusts would have its feet upon the ground. But it must use coal; and here, let us say, is a trust of trusts which dominates the coal business, from delivery at your cellar door back to the mines from which coal is dug. That trust, too, has its feet upon the ground. In such a case the interests of these two trusts would certainly collide. They would bear somewhat the relation to each other that the Manhattan bears to the Metropolitan in New York; that the Central would bear to the Pennsylvania should they consolidate all minor roads under their management respectively; that different lines of business in the steel industry would have borne to one another before finally consolidating; that different establishments in that line would have borne to each other before the first steel trust. Collision or consolidation would be inevitable. And out of the collision, if it came, the steel trust and the coal trust would emerge as one.

"That illustrates the trend of trusts. Following them from their beginnings, we find a tendency first to the consolidation of business of the same kind into trusts for those kinds of business respectively; then to the consolidation of trusts in kindred lines; then to the consolidation of those trusts as they come into collision with one another; and so on, each trust gaining power over its rivals as it secures a stronger and stronger foothold upon the ground.

"Unhindered by fundamental reform the organisation of trusts and their absorption into trusts of trusts would eventuate in the ownership of all business by some gigantic trust, which would get its power as Antæus got his, by planting its feet firmly upon the earth. Owning the earth, it would own men; and owning men, it would own all that they produce, from the simplest food to the most marvellous machinery. The middle class would disappear, and only two classes would remain—beneficiaries of the trusts and their favourites on the one hand, and impoverished dependent hirelings upon the other.

"To this triumph of the trust most socialists look forward with satisfaction. They see in it the opportunity of the people to take possession not only of the earth, but of the artificial instruments of production also, by dethroning the few trusts or the single trust that may acquire this vast ownership. They are satisfied because in this trend they discover signs of the evolution of public ownership. But in the trust phenomena there is little real cause for satisfaction.

"As the evolution of the trust proceeds, trust employees become in greater and greater degree mere voting machines, registering at the polls not their own convictions, but their employers' commands.

"How noticeable this already is in connection with the railroad trusts! Consider Arthur, the wealthy head of the society of locomotive engineers, who secures favours for his loyal supporters in the society by plumping their votes according to trust dictation! Think of the performance of Chauncey M. Depew, who appeared before a corralled audience of railroad working-men at Chicago to admonish them that their interest as railroad employees depends upon their fidelity to the railroad trust as voters!

"This condition, only worse, would be universal should the development of trusts proceed even approximately to the point that we have indicated as possible. And when the time came to dethrone the trusts, the trusts themselves—through their army of dependent voters, and not the convictions or the interests of the people—would decide the issue.

"It might be that the trusts would decide in favour of their own dethronement. But if they did, they themselves would fix the terms.

"In that case we may rest assured that the dethronement would be nominal. All land and all machinery might by their consent be turned over to the government, but it would be at a price which the trusts would dictate, and to a government which they would continue to control.

"It is not by waiting until trusts own everything and then taking it from them that the industrial question must be met.

"The method of the doctor who managed a case of mysterious infantile illness by throwing the infant into fits because he was a fit specialist, and 'death on fits,' may be worthy the attention of schools of medicine, but the principle cannot be safely carried over into practical economics.

"If the evils of the trust are to be overcome and its dangers avoided, the people must possess themselves in time of the point of vantage toward which the trust is advancing. Since the trust cannot survive without, Antæus-like, getting its feet upon the ground, it is to be destroyed only as Antæus was, by keeping its feet off the ground.

"That would be a simple matter. No revolution is necessary. No overturning of established customs or assault upon deep-rooted habits of thought is required. Nothing is needed but a transfer of all taxation from production to the value of natural opportunities to produce.

"Let earth-owners be taxed to the full annual value of their holdings, approximately, whether they use their holdings or not, and

no trust could make money by restricting production. To restrict production would then bring speedy ruin upon whoever attempted it. Even railroad trusts, if rights-of-way were taxed well up to their monopoly-value, would be compelled to utilise their opportunities to the utmost for the public good, or give way to men who would.

"In saying this we are saying only what Henry George demonstrated. Whoever will read his immortal book, *Progress and Poverty*, reading it with intelligent care, and, as Lowell says, 'with heart wide open on the Godward side,' will find in his plea for communal justice an unanswerable argument for a fundamental though simple reform within the atmosphere of which no oppressive trust could come and live."

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